

# BANCA MONTE DEI PASCHI DI SIENA SPA

2002 CONSOLIDATED
FINANCIAL STATEMENTS
MONTE DEI PASCHI DI SIENA BANKING GROUP

2002 FINANCIAL STATEMENTS
BANCA MONTE DEI PASCHI DI SIENA S.p.A.



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## MPS GROUP: SUMMARY FINANCIAL DATA

(in EUR mn)	31.12.02	31.12.01 restated	Change
Total banking income	4,751	5,004	-5.1%
Total banking income excluding profits (losses) from financial transactions	4,611	4,625	-0.3%
Gross operating profit	1,843	2,177	-15.3%
Gross operating profit excluding profits (losses) from financial transactions	1,703	1,798	-5.3%
Net profit	582	619	-6.0%
	31.12.02	31.12.01 restated	
R.O.E.	12.1%	13.4%	
R.O.E. adjusted	14.3%	15.8%	
(in EUR mn)	31.12.02	31.12.01 restated	Change
Aggregate customer funding	172,505	168,498	2.4%
Customer loans	68,472	63,038	8.6%
(number at end of period)	31.12.02	31.12.01 restated	Absolute change
Total number of customers (number at end of period)	4,450,400	4.340,750	109,650
Number of online customers (number of connections)	1,203,083	964,952	238,131
Total branches in Italy (number at end of period)	1,827	1,787	40

# CORPORATE OFFICERS, SENIOR MANAGEMENT AND AUDITORS

#### **BOARD OF DIRECTORS**

Pier Luigi Fabrizi, Chairman
Mauro Faneschi, Deputy Chairman
Antonio Silvano Andriani, Director
Stefano Bellaveglia, Director
Francesco Saverio Carpinelli, Director
Giuseppe Catturi, Director
Carlo Querci, Director
Ivano Sacchetti, Director
Antonio Sclavi, Director
Giovanni Semeraro, Director
Alessandro Vercelli, Director

#### **BOARD OF STATUTORY AUDITORS**

Giuseppe Vittimberga, Chairman
Pietro Fabretti, Acting Auditor
Luciana Granai De Robertis, Acting Auditor
Angiola Lippi, Alternate Auditor
Duccio Neri, Alternate Auditor

#### SENIOR MANAGEMENT

Vincenzo De Bustis, Chief Executive Officer Pier Giorgio Primavera, Deputy Chief Executive Officer Antonio Vigni, Assistant Chief Executive Officer Pier Luigi Corsi, Assistant Chief Executive Officer

INDEPENDENT AUDITORS, KPMG S.p.A.

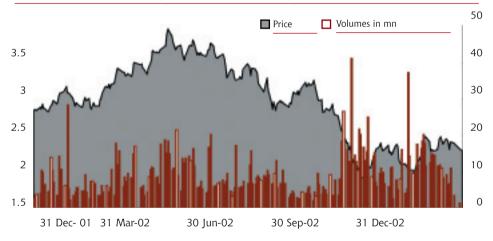


# TREND OF BMPS SHARES AND REVIEW OF SHAREHOLDER BASE

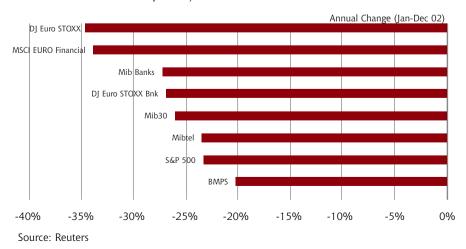
#### ■ PRICES, CAPITALIZATION AND SHAREHOLDERS

ith the persistent weakness of the economic cycle and growing political tensions on the international front, the financial markets turned in a poor performance in 2002. With stock prices starting to decline near the end of April and continuing their descent through October, major market indices closed the year with losses of as much as 35 percent in comparison with their values as of the end of 2001. Against this backdrop, the Banca Monte dei Paschi di Siena S.p.A. (BMPS) shares reached an annual high of EUR 3.88 on 26 April, and closed the year at EUR 2.25, having recovered some 30 percent from their annual low at the outset of October.

#### ■ TREND OF SHARE PRICE (from 31/12/01 to 31/12/02) S: Reuters



The performance of the BMPS shares on an annual basis (-20.3 percent) was better than the average for leading Italian banks, the market indices (MIB 30: -26 percent; DJ Euro Stoxx: -34.5 percent) and the sector indices (MIB Banks: -27.2 percent; DJ Eurostoxx Banks: -26.8 percent; and MSCI Euro Financial -33.9 percent).



#### ■ BMPS SHARE PRICE: STATISTICAL SUMMARY

	31.12.02	31.12.01	31.12.00
Average price	2.87	3.52	3.75
Low	1.73	2.41	2.91
High	3.88	4.72	4.87

In terms of capitalization, the market value of BMPS was close to EUR 5.9 billion at year end, accounting for roughly 6 percent of the capitalization of the banking sector, and around 1.3 percent of the total capitalization of the Italian Stock Exchange, in line with the comparable figure for the end of 2001. As of the end of December, BMPS ranked as the eighteenth company by capitalization among the shares included in the MIB30, and as the fourth among banking shares.

#### SUMMARY OF REFERENCE PRICES AND CAPITALIZATION

	31.12.02	31.12.01	31.12.00
Price (EUR)	2.25	2.82	4.30
N°. ordinary shares	2,607,791,591	2,598,557,169	2,351,895,107
N°. savings shares	9,432,170	9,432,170	8,574,700
Capitalization (in EUR mn)	5,896	7,205	11,021

As of the end of December, BMPS' capital amounted to EUR 1,675,023,207.04 and consisted of 2,607,791,591 ordinary shares and 9,432,170 savings shares with par value of EUR 0.64 each. Compared with the beginning of the year, the number of shares at the end of the year was 9,234,422 higher as a result of the following transactions:

- issue of 165,150 ordinary shares on 7 February 2002 for the completion of a stock-granting plan inaugurated at the end of 2001 for employees of BMPS and of several subsidiaries;
- capital increase and issue of 9,069,272 new ordinary shares to service the merger by incorporation of B121 into BMPS, as approved by a resolution of the extraordinary shareholders' meeting held on 30 November 2002.

During the 30 November meeting, the shareholders authorized a bonus capital increase for the purpose of changing the par value of the ordinary and savings shares from EUR 0.52 to EUR 0.64; this increase was funded through a charge to the revaluation reserve established pursuant to Law 342/2002.

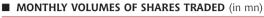
On the basis of the reporting to the BMPS and to CONSOB, pursuant to Article 120 of Legislative Decree n. 58/98, the MPS Foundation, the Bank's principal shareholder, held a 65.51-percent interest in the ordinary capital as of 31 December 2002. The holding of Premafin Finanziaria amounted to 2.43 percent as of the same date.

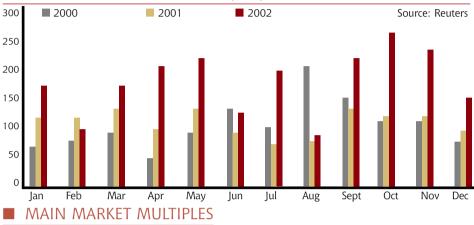


#### VOLUMES

The number of BMPS shares traded on a daily basis averaged around 9.0 million for the year, and thus was significantly higher than the average of 5.0 million for 2001.

A total of about 85 percent of the Bank's ordinary capital changed hands in 2002, with the turnover of the market float amounting to approximately 2.5 times.





Turning to market multiples, the shares were trading at the end of 2002 at a multiple of 9.6 times projected earnings for 2003 (Source of earnings estimates: IBES). The ratio of price to book value per share was around 1.0 at the end of 2002.

#### ■ GROUP DATA (in EUR mn)

	2002	2001(**)	2000(**)
Shareholders' equity	5,550	5,786	5,573
Consolidated net profit	582	617	566
Dividends *	218	269	244
Payout ratio *	37.5%	43.6%	43.1%

<sup>(\*)</sup> Proposed distribution to be approved by the ordinary shareholders meeting on 26 April 2003

#### ■ PER SHARE DATA (in EUR)

	2002	2001	2000
Earnings per share	0.22	0.24	0.24
Net equity per share	2.13	2.23	2.36
Ordinary dividend *	0.0832	0.1033	0.1033
Savings dividend *	0.0915	0.1137	0.1136

<sup>(\*)</sup> Proposed distribution to be approved by the ordinary shareholders meeting on 26 April 2003

### ■ MARKET MULTIPLES (in EUR)

	2002	2001	2000
Price / earnings per share	10.23	11.75	17.94
P/BV	1.06	1.26	2.00
Dividend yield on ordinary shares *	3.7%	3.7%	2.2%

<sup>(\*)</sup> Based on share price as of the end of the year

<sup>(°\*)</sup> Data are not proforma

## **DEBT RATINGS**

The following table provides a summary of current ratings, which remained unchanged with respect to the ratings assigned as of the end of 2001.

Agency	Short-term Rating as of 31.12.2002	Medium and Long-Term Rating as of 31.12.2002
Moody's Investors Service Standard & Poor's	P-1 A-1	A-1 A
Fitch Ibca Ltd.	F-1	A +



### CORPORATE GOVERNANCE

Banca Monte dei Paschi di Siena S.p.A. (the "Bank") has an organizational structure which complies with the guidelines set forth in the Self-Discipline Code for Quoted Companies (the "Code") which was issued by Borsa Italiana S.p.A. in October 1999, and partly revised in July 2002. This structure ensures an adequate system of corporate governance, the key elements of which are reviewed hereunder.

#### ■ THE BOARD OF DIRECTORS

1. The directors currently serving on the Board were appointed by the shareholders' meeting held on 20 April 2000, with the exception of Giovanni Semeraro, who was elected at the shareholders' meeting held on 7 June 2000, and Ivano Sacchetti, who was appointed by the Board of Directors on 5 April 2001 and confirmed by the shareholders meeting on 30 April 2001. The mandate for all directors expires with the approval of the financial statements for the year ending 31 December 2002. The Board of Directors currently consists of 11 members:

Pier Luigi Fabrizi Chairman

Mauro Faneschi Deputy Chairman

Antonio Silvano Andriani Director Stefano Bellaveglia Director Francesco Saverio Carpinelli Director Giuseppe Catturi Director Carlo Querci Director Ivano Sacchetti Director Antonio Sclavi Director Giovanni Semeraro Director Alessandro Vercelli Director

At a meeting held on 28 February 2003, the shareholders voted to change certain provisions of the Bank's By-laws, including the numeric composition of the Board of Directors (raising the maximum number of directors from 12 to 17) and the possibility of appointing two Deputy Chairmen instead of one.

Positions held by members of the Board of Directors in other financial, banking and insurance companies, and other significant positions held are indicated as follows:

<u>Pier Luigi Fabrizi</u> Deputy Chairman of Banca Nazionale del Lavoro S.p.A.

Director of Olivetti S.p.A.

- of Banca Agricola Mantovana S.p.A.
- " of Unipol Assicurazioni S.p.A.

of Banca Monte Parma S.p.A.

<u>Mauro Faneschi</u> Chairman of MPS Finance Banca Mobiliare S.p.A.

Deputy Chairman of MPS Leasing and Factoring S.p.A.

Antonio Silvano Andriani Chairman of MontePaschi Vita S.p.A.

of Ticino Assicurazioni SpA

of Ticino Vita S.p.A.

Deputy Chairman of Monte Paschi AM S.G.R.

Director of Banca 121 PF S.p.A.

of Finsoe S.p.A.

" of Unipol Assicurazioni S.p.A.

" of Banque du Sud S.A.

Stefano Bellaveglia Chairman of Monte Paschi AM S.G.R. S.p.A.

of Quadrifoglio Vita S.p.A.

Deputy Chairman of Banca Agricola Mantovana S.p.A.

Director of Finsoe S.p.A

of Monte Paschi Banque s.a.

Francesco Saverio Carpinelli Chairman of MPS Merchant S.p.A.

Deputy Chairman of Intermonte Securities SIM S.p.A.

" of Monte Paschi Banque s.a.

Director of Banca C. Steinhauslin & C S.p.A.

of Istituto per il Credito Sportivo S.p.A.

Giuseppe Catturi Chairman of Consum.it S.p.A.

Deputy Chairman of MPS Finance Banca Mobiliare S.p.A.

" of Banca Monte Paschi Belgio s.a.

Director of Banca Toscana S.p.A.

of Banca 121 PF S.p.A.

" of MPS Bancaverde S.p.A.

Carlo Querci Deputy Chairman of Banca Monte Parma S.p.A.

of Banca C. Steinhauslin & C S.p.A.

" of MontePaschi Vita S.p.A.

Director of Banca Toscana S.p.A.

" of MPS Finance Banca Mobiliare S.p.A.

<u>Ivano Sacchetti</u> Deputy Chairman/Managing Director of Unipol Assicurazioni S.p.A

" of Finsoe S.p.A.

of Quadrifoglio Vita S.p.A.

Director of Banca Agricola Mantovana S.p.A.

<u>Antonio Sclavi</u> Chairman of Banca Monte Paschi (Suisse)

Director of Banca C. Steinhauslin & C S.p.A.

Alessandro Vercelli Deputy Chairman of MPS Bancaverde S.p.A.



- 2. All members of the Bank's Board of Directors are to be considered as "non-executive directors" since the position of managing director, though contemplated by the Bank's Bylaws, has not been filled and there are no directors with managerial responsibilities within the Bank.
- **3.** In light of the provisions of the Code, the Board of Directors, at a meeting held on 6 March 2003, confirmed that the current directors of the Bank are to be considered "independent" inasmuch as the same (as also communicated by each of them) do not maintain either directly or indirectly any significant economic relationships with the Bank or with its subsidiaries, or any investment relationships of a magnitude which would allow them to exercise control or significant influence over the Bank. Each of the directors is furthermore committed to informing the Board of Directors in a prompt manner should he later find himself in one of the situations indicated above.
- **4.** The Bank's By-laws assign to the Board of Directors all powers of ordinary and extraordinary administration for the achievement of the corporate purpose other than those powers specifically vested with the shareholders pursuant to the law or the By-laws. More specifically, the By-laws exclusively empower the Board of Directors:
- to formulate the strategy for the Bank and the banking group over which the Bank is head, and to approve the plans in relation thereto;
- to oversee the correct and consistent implementation of the aforementioned strategies and plans within the operations of the Bank and of the banking group;
- to determine the principles for the general organization of the Bank and to approve the organizational structure for the same;
- to set forth the general guidelines for the structure and operations of the banking group, determining the criteria for the coordination and management of the subsidiary companies belonging to the group, and for the execution of the directives handed down by the Bank of Italy;
- to determine compensation due to directors vested with particular responsibilities, after having secured an opinion from the Board of Statutory Auditors.
- 5. The Bank's By-laws expressly provide that the Chairman is responsible for convening and chairing the meetings of the Board of Directors and of the Executive Committee (Article 23, Paragraph 1, Letter "b"), determining the agenda therefor (Article 16, Paragraph 1, and Article 19, Paragraph 3). The Board of Directors has not delegated any authority to the Chairman. Pursuant to the Bank's By-laws, the Chairman may, in a matter of necessity or urgency, authorize any business or transaction which is the responsibility of the Board of Directors (except business or transactions for which the Board of Directors is exclusively responsible), with obligation of providing notice thereof at the first meeting of the Board of Directors thereafter.

The By-laws also empower the Chairman to promote and sustain legal proceedings within the

limits established by the Board of Directors. Should the Chairman be absent or unable to exercise such authority, it may be exercised by the Deputy Chairman, or, in the event of the appointment of two Deputy Chairmen, by the Deputy Chairman whom the Board of Directors shall indicate in the first meeting subsequent to the shareholders' meeting at which the two Deputy Chairmen were appointed; should the Chairman or the designated Deputy Chairman be absent or unable to exercise such authority, it may be exercised by the other Deputy Chairman.

The Board of Directors has passed resolutions vesting authority with the Executive Committee, rather than with the individual directors. Pursuant to Article 18, Paragraph 7 of the By-laws, "The decisions taken by the persons vested with authority shall be communicated to the Board of Directors, in accordance with the terms and conditions set by the Board of Directors." In the case of lending, for example, a monthly report is contemplated.

- **6.** The Bank's By-laws provide that the Board of Directors meets "usually once a month". The meetings, however, actually take place more often. During 2002, for example, the Board held 32 meetings. The Bank has also adopted the practice of sending the directors all of the documentation and information to be reviewed and approved by the Board of Directors for each meeting as of the date on which the meeting agenda is communicated, or as soon as possible thereafter.
- 7. The Bank's By-laws do not stipulate any list voting or other specific procedures for the presentation of candidates for the position of director. Considering that shareholders are entitled to propose candidates for the appointment to the Board of Directors pursuant to the Code, the Board of Directors has resolved: (i) not to set up a "committee for proposed nominations" to the position of director; and (ii) to provide that shareholders, in advance of a shareholders' meeting held for the appointment of the Board of Directors, be requested (including through a specific indication in the notice of the shareholders' meeting) to deposit with the Bank's head office at least ten days prior to the meeting (a) the names of the proposed candidates for the position of director and (b) extensive information on the personal and professional attributes of the candidates, indicating whether they are qualified to define themselves as "independent" pursuant to Article 3 of the Code, and with the notice, in any event, that the filing of the names and of the information is not obligatory.
- **8.** The compensation to the directors is based on a shareholder resolution passed on 20 April 2000, and consists of three components: annual compensation, meeting attendance fees, and daily allowances. The current compensation scheme does not provide for any form of variable compensation linked to the Bank's earnings and/or the achievement of specific objectives, nor is there any form of stock option plan available to directors.

#### EXECUTIVE COMMITTEE

1. In accordance with the Bank's By-laws, the Board of Directors may nominate a minimum of five directors and a maximum of nine directors (the latter of which was



increased from seven pursuant to a shareholder resolution passed on 28 February 2003) to an executive committee. The members of the executive committee include the Chairman and Deputy Chairman as well as other directors chosen annually in the first meeting of the Board of Directors following the annual meeting of the shareholders for the approval of the financial statements. Pursuant to the By-laws, the Board of Directors appointed six directors to the executive committee on 2 May 2002. The members include the Chairman and the Deputy Chairman, and the directors Francesco Saverio Carpinelli, Carlo Querci, Antonio Sclavi and Alessandro Vercelli. During the first part of the year, the members of the executive committee (appointed by the Board of Directors on 4 May 2001) were the directors Antonio Silvano Andriani, Stefano Bellaveglia, Francesco Saverio Carpinelli and Giuseppe Catturi, as well as the Chairman and Deputy Chairman. During 2002, the Executive Committee held 46 meetings.

- 2. With the appointment of the Executive Committee, the Board of Directors vested the committee with lending authority as well as with other powers, setting the limits thereof.
- **3.** The Executive Committee may, in a matter of necessity or urgency, authorize any business or transaction that would normally be authorized by Board of Directors (other than business or transactions to be authorized exclusively by the Board of Directors), with the obligation of providing notice thereof at the first meeting of the Board of Directors thereafter.

#### ■ COMPENSATION COMMITTEE

With a resolution passed on 1 March 2001, the Board of Directors set up a Compensation Committee consisting of three members (directors Carlo Querci, acting as the committee coordinator, and Antonio Silvano Andriani and Antonio Sclavi) and vested the committee with the responsibility of providing consultative input and proposals to the Board of Directors. The Board of Directors simultaneously approved the regulations applicable to the committee whose principal task is to submit to the Board of Directors, in the absence of the persons involved, proposals regarding compensation to directors vested with special powers and compensation to senior executives, including compensation by means of stock options plans or other assignments of shares. The committee also carries out other tasks as assigned by the Board of Directors. As provided by the applicable regulations, the Chairman of the Board of Statutory Auditors or a person delegated by the same is to participate in the committee's work. The Chief Executive Officer, Deputy Chief Executive Officer, Assistant Chief Executive Officers, Executives or other employees of the Bank or even third parties may be invited to take part in the committee's work whenever deemed appropriate, including with respect to specific matters of business.

#### ■ INTERNAL CONTROLS COMMITTEE

The committee, which was established pursuant to a resolution of the Board of Directors passed on 1 March 2001, has the responsibility of providing consultative input and proposals to the Board of Directors with respect to initiatives for setting up a suitable system of internal controls. The committee consists of three members (directors Giuseppe Catturi,

acting as coordinator, Francesco Saverio Carpinelli and Alessandro Vercelli). The Chairman of the Board of Statutory Auditors or his substitute and the Chief Executive Officer or his substitute participate in the committee's work. The Deputy Chief Executive Officer, Assistant Chief Executive Officers, Executives or other employees of the Bank or even third parties may be invited to take part in the committee's work whenever deemed appropriate, including with respect to specific matters of business.

#### The committee is charged with:

- assisting the Board of Directors in the execution of its responsibility with regard to: (i) strategic orientation, risk management policy and organizational structure; (ii) the consistency of the internal controls system vis-à-vis the pre-defined risk propensity; and (iii) the functionality, efficacy and efficiency of the controls system;
- evaluating the adequacy of the internal controls system;
- evaluating the work plan prepared by the Responsible for Internal Controls and reviewing the periodic reports generated by the same;
- evaluating, together with the Board of Directors and the independent auditors, the adequacy of the Bank's accounting principles and the congruity for the purpose of the preparation of the consolidated financial statements;
- evaluating proposals submitted by independent auditors covering bids for the independent audit of the Bank's financial statements, as well as the work plan drawn up for the audit and the results disclosed in the report and in the letter to the management;
- reporting to the Board of Directors, at least every six months (at the time of the approval
  of the annual and semi-annual financial statements), regarding the activity carried out
  and the adequacy of the internal controls system;
- overseeing the observance and periodic update of the corporate governance rules, reporting thereon to the Board of Directors and formulating the relative proposals needed, if any;
- carrying out other assignments mandated by the Board of Directors, and in particular, with regard to the relationships between the Bank and the independent auditors.

During 2002, the committee held 13 meetings, dedicating its efforts to: the ongoing verification of the fundamental aspects of the internal controls system; an evaluation of the operation of the system; an analysis of the activity of internal audit and of the accuracy and precision of the information supplied to management and to the Board of Directors; and a review for determining the extent to which the activity carried out complies with the law and with internal regulations.

The committee furthermore conducted an in-depth review of the new organizational model of controls within the MPS Group, while also examining the implementation of internal controls regulations in different operating environments at various MPS Group companies



and the level of adequacy thereof. Additionally, the committee focused on analyzing a document drawn up by the Internal Controls Area regarding a review of the system of onsite and remote controls in place at the foreign branches, all of which are subject to the specific laws prevailing in the countries in which they are located.

Meetings with the controls managers of principal business areas were planned and carried out, and were flanked by in-depth analysis of the system of internal controls adopted in specific business areas, with a particular emphasis on credit approval, the buying and selling of financial instruments for the MPS Group's own account and the account of customers, and the activity of the commercial network.

Finally, the committee conducted a comprehensive review of the reporting prepared by the Internal Controls Area regarding the governance and control at various MPS Group companies of the elements specified in Italian laws to curb money laundering (Law 197/91). This review was effected so as to control and monitor adequately the development of regulations regarding efforts to prevent money laundering, having taken into account the requests of Bank of Italy for the mitigation of the relative risks.

#### ■ THE INTERNAL CONTROLS SYSTEM

1. The Bank has equipped itself with an internal controls system which complies with the directives of the regulatory authorities and the recommendations of the Basle Committee. In the opinion of the Board of Directors, this internal controls system is in line with the provisions of the Code and responds well to the various needs indicated by the Code.

In order to ensure the alignment between (i) the controls system and (ii) the operating strategies and mission of the MPS Group, the "Rules for controls at a group level" were prepared with the input of the Board of Directors and subsequently approved by the same. The Internal Controls Area of the Corporate Center has accordingly been designed and organized on the basis of the MPS Group's structure, so as to ensure the total controls system - now in line with the ruling regulations - changes in response to new directives from the regulatory authorities, and in accordance with the best international practices and with the principles embraced by the Basle Committee.

In order to evaluate the functionality of the internal controls system, the relationships and compatibilities between processes, risks and controls were studied, and the risks within the process activity were identified by main areas and by principal MPS Group companies. In this manner, it was possible to determine the significance and reliability of the governance measures in place and the correct calibration of controls in relation to the magnitude of risk. Thereafter, it was possible to pinpoint the business and infrastructural risks inherent to the various processes, to minimize such risks through the improvement of processes and controls, and to vest responsibility for managing and monitoring operational risks with the process owners.

Within the MPS Group, the Risk Management Department oversees the coordination of the functions of controlling the risks of the MPS Group companies, the consistency in the

definition and use of data bases in relation to market parameters, and the identification, measurement and monitoring of the overall risk profile.

In conclusion, the changes and operational dynamics affecting the Bank and the MPS Group in recent years have dictated the development of a new "controls culture" capable of proving timely and more efficient/effective than in the past. In embracing this new culture, the MPS Group has employed sophisticated methodologies and systems in relation to the uniform risk profiles expressed by the various business lines. Such methodologies are supported by techniques which are much more pertinent to the specifically identified needs for governance and controls.

2. Reporting directly to the Chief Executive Officer, the Bank's Internal Controls Area operates in support of the corporate governance action taken by the Board of Directors and Senior Management, providing periodic feedback on its activity to the Board of Directors and to the Board of Statutory Auditors. The Head of the Internal Controls Area regularly participates in the meetings of the internal controls committee.

#### ■ TRANSACTIONS WITH RELATED PARTIES

In accordance with the provisions of the Code and on the basis of the directives set forth in Article 71 bis of the CONSOB Resolution n. 11971, the Bank recently adopted a Code of Conduct for transactions with related parties which sets the internal regulations applicable to the same. In general, the concept of "related parties" is based on the following criteria:

- a) Group correlation, which regards relationships of control, interconnecting relationships and relationships of significant influence which directly affect the Bank and the MPS Group;
- b) Direct correlation, which involves corporate officers (directors and statutory auditors), the Chief Executive Officer, and Executives vested with powers conferred by the Board of Directors (Deputy Chief Executive Officer, Assistant Chief Executive Officers, the General Manager of the bank division, the Heads of the areas of the Corporate Center and of bank division business units who have independent authority for credit approval);
- **c)** Indirect correlation, which involves the family members of the physical persons who are considered "related parties".

In addition, transactions with related parties (i.e. transactions effected by the Bank - including through subsidiary companies - with related parties) have been subdivided between: Ordinary Transactions (transactions without any particular elements), Significant Transactions (transactions which require public disclosure in accordance with the aforementioned Article 71 bis), Material Transactions (transactions which, though they cannot be considered as "Significant Transactions", have atypical and/or unusual elements).

The Ordinary Transactions are approved in accordance with the limits of authority established by the current system of the delegation of authority within the Bank. Significant Transactions and Material Transactions must instead be approved by the Board of Directors



(without prejudice, however, to the powers provided by the Bank's By-laws for exercising authority in urgent situations).

Subsidiary companies must adopt the Rules approved by the parent company in relation to any transactions effected by the subsidiaries with "related parties" of the Bank. The subsidiary companies are to adopt such Rules with regard to their respective structures of approval authority. Any such transactions are to be communicated expressly to the parent company in a timely manner.

The obligations of banking representatives set forth in Article 136 of Legislative Decree n. 385 of 1 September 1993 (Italy's banking consolidation act) obviously remain unchanged.

#### MANAGEMENT OF SENSITIVE INFORMATION

- 1. On 13 June 2001, the Bank introduced internal rules in relation to "the management of sensitive information and the adoption of procedures for the internal management and public disclosure of documents and information regarding the company". The internal rules dictate the standards of conduct in relation to sensitive information, including information that could affect the Bank's stock price. In relation to this information, the Bank has maintained operational procedures for the management of information that could affect the stock price since the date of the initial quotation of the shares. On the basis of these procedures, the Chairman, upon his own initiative or upon the recommendation of Senior Management, including through the General Secretary's office (Corporate Relations), reviews and evaluates situations which might warrant communication to the market (whether obligatory or deemed to be suitable). The drafts of any press releases issued in this regard are normally discussed and approved by the Board of Directors. In conformity with prevailing laws and CONSOB regulations, instructions have been provided to all of MPS Group companies regarding information which must be sent to the parent company in order to allow the parent company to meet the obligations for public disclosure established by Article 114 of the Consolidated Law on Financial Intermediation. The results of the analysis of the information supplied by the subsidiary companies are presented to Senior Management and to the Chairman's office for any feedback which needs to be communicated to the company or companies concerned.
- 2. In relation to specific regulations issued by Borsa Italiana S.p.A. for internal dealing, the Bank, acting on a resolution of the Board of Directors of 19 December 2002, adopted a "Code of conduct for internal dealing". The provisions of the code are aimed at ensuring transparency in all transactions involving the shares or other listed financial instruments of the Bank or of its subsidiaries, and the financial instruments connected to the same (including unlisted instruments), executed by "Material Persons", and namely, (i) those persons who, by virtue of their professional positions, have the capacity to affect the decision-making process of the Bank and the MPS Group, and thus to influence the strategies pursued by the same, and (ii) those persons who have considerable knowledge of the Bank's and the MPS Group's strategies, such as to facilitate their decisions to invest in the referenced financial instruments. The regulations for internal dealing expressly define "Material Persons" as directors, statutory auditors and chief executive officers. Incorporating these definitions, the Bank's code of conduct for internal dealing also includes the following as Material Persons: the Deputy Chief Executive Officer, the Assistant Chief Executive Officers, the General Manager

of the banking division, the Heads of the areas of the Corporate Center, and the Head of the Institutional Communications Unit at the parent company, and the chairmen, managing directors and chief executive officers of the main subsidiary companies. The principal subsidiary companies to which the provisions of the code of conduct for internal dealing apply are: Banca Toscana S.p.A., Banca Agricola Mantovana S.p.A., and MPS Finance - Banca Mobiliare S.p.A.

Finally, the code of conduct for internal dealing has: (i) established thresholds for the amounts of transactions (including cumulative amounts) carried out in a calendar quarter by "Material Persons", which must be reported to the Bank (reporting which is to be effected (a) after the close of the quarter if the amount is more than or equal to EUR 25,000 and less than EUR 250,000, or (b) immediately after the conclusion of any transaction that would put the amount above EUR 250,000); and (ii) identified the so-called Black-Out Periods during which Material Persons may not effect the transactions referenced above, for any amounts (including on a cumulative basis) of more than EUR 25,000.

The full text of the code of conduct for internal dealing is published on the Bank's Internet site (Italian version).

#### SHAREHOLDER RELATIONS

- 1. Since the public listing of its shares, the Bank has taken steps to build a well-balanced relationship with the shareholder base, and in particular, with institutional investors. Two specific units have been established in this regard:
- Investor Relations, which is part of the Planning, Control and Cost Management Area;
- Corporate Relations, which is part of the General Secretary's Office.
- 2. In the case of rules for the shareholder meetings, the Board of Directors initially opted to adopt rules which allow for some degree of flexibility, and which thus allow for quickly making changes which have already proven necessary from the initial application of the rules.

Taking into account that:

- Article 12, Paragraph 3 of the Bank's By-laws requires "the shareholders' meeting shall be chaired by the Chairman of the Board of Directors or by the Deputy Chairman in the event in which the Chairman is absent or unable to chair the meeting pursuant to art.23 of the Bank's By-laws or by a director elected by the shareholders attending the meeting in the event in which the Chairman and Deputy Chairman/Chairmen are absent or unable to chair the meeting";
- pursuant to Paragraph 4 of Article 12 of the By-laws "the chairman of the shareholders' meeting to be responsible for ascertaining the regular constitution of the meeting and the right of the attendees to vote and to participate in the meeting, as well as the power to direct the meeting, to coordinate the discussion, to establish the means for individual votes which are to occur in any event by open vote and to proclaim the results of the voting";

the Board of Directors approved rules for the shareholders' meeting which are based on a set of sample rules drawn up jointly by the ASSONIME association and Italian Bankers'



Association and has indicated its consent that such rules be adopted by the Chairman as his ex-ante determination of the manner in which he shall exercise the management and control powers vested with him by the By-laws, and thus that this set of rules be considered as an act of the Chairman in relation to the rules of conduct by which he shall abide during the shareholders' meeting for the exercise of his responsibility. The Board of Directors furthermore deliberated that the publication of the rules for the shareholders' meetings adopted by the Chairman must be insured by filing the same with the Bank's Head Office as of the date of any shareholders' meeting. Documentation for the shareholders meeting is also to be filed along with the rules for the meeting. Such information is made available to the shareholders pursuant to Article 130 of Legislative Decree n. 58/98. The rules shall also be disclosed through special mention in the notice of the shareholders' meeting.

**3.** Finally, in order to facilitate the dissemination of information upon the occasion of the shareholders' meetings, a special section has been set up as part of the Bank's Internet site for the publication of all documentation made available for the shareholders' meetings.

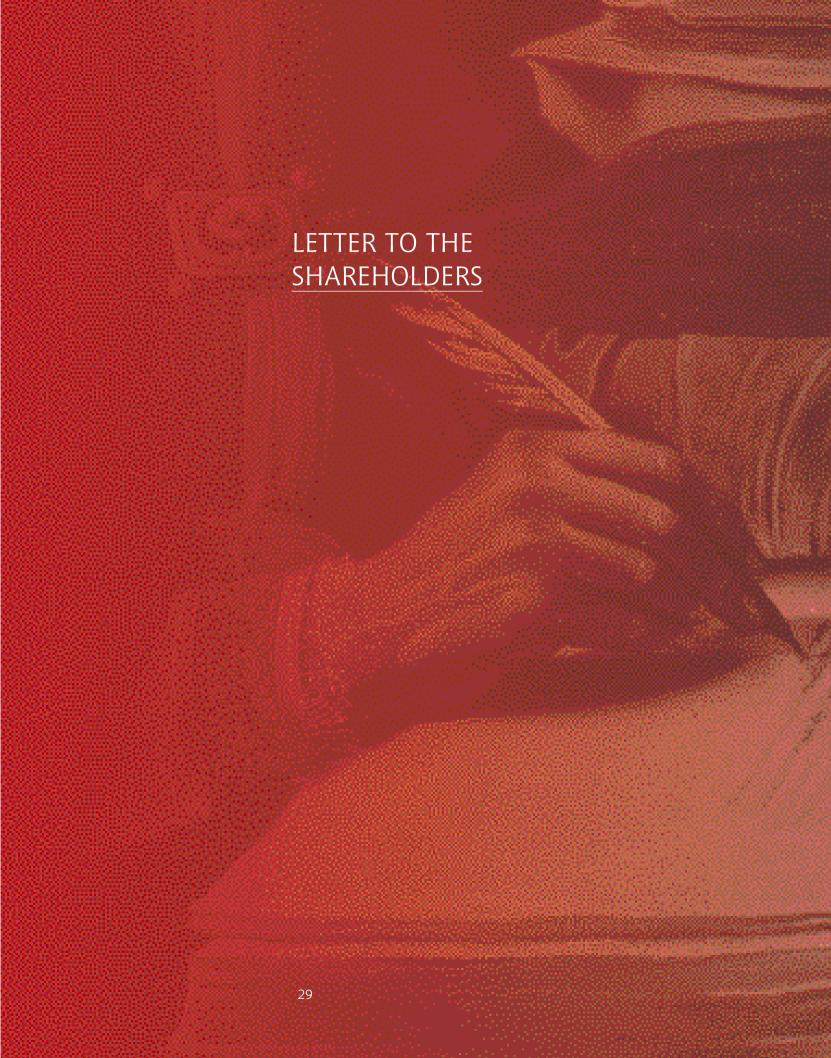
#### BOARD OF STATUTORY AUDITORS

The Bank's By-laws provide for the nomination of statutory auditors by means of list voting, though there is no indication of the term within which the lists must be presented prior to the shareholders' meetings. In accordance with the provisions of the Code, shareholders are entitled to propose candidates for appointment to the Board of Statutory Auditors. In consideration thereof, the Board of Directors passed a resolution whereby shareholders, in advance of a shareholders' meeting held for the appointment of members of the Board of Statutory Auditors, are requested (including through a specific indication in the notice of the shareholders' meeting) to deposit with the Bank's Head Office at least ten days prior to the meeting (a) the names of the proposed candidates for the position of statutory auditor and (b) extensive information on the personal and professional attributes of the candidates, with the notice, in any event, that the filing of the names and of the information is not obligatory.

#### ■ CHIEF EXECUTIVE OFFICER

- 1. In accordance with the Bank's By-laws, the Chief Executive Officer:
- is empowered to sign on behalf of the Bank for all matters of ordinary administration, and oversees the Bank's organization structure which he is responsible for;
- executes all transactions and acts of ordinary administration;
- submits proposals and reports to the Board of Directors or the competent committees;
- arranges for the execution of resolutions by the Bank's Board of Directors as well as the
  coordination of the activity of the subsidiary companies belonging to the MPS Group, in
  conformity with the general strategies and criteria established by the Board of Directors;
- is the senior manager of human resources.
- 2. The Chief Executive Officer exercises the powers vested with him by the Board of Directors in the case of lending activity and in the ordinary management of other operations, carrying out his functions with the support of the Deputy and Assistant Chief Executive Officers, Senior Executives and other executives.







### LETTER TO THE SHAREHOLDERS

n terms of fundamentals, the year of 2002 was marked by negative developments and highly uncertain prospects that were even more prominent than in 2001. The critical elements underlying this scenario were various, and included: sharp political tensions on the international front; the ongoing sluggish performance of the economy; and the highly erratic and negative trend of the financial markets.

Given the difficult situation in general, it is understandable that the banking industry, too, endured a particularly tough year, with securities trading turning out to be the most critical area of activity due to the less-than-favorable trend of the financial markets. Suffering from the ongoing stagnation of the economy, traditional deposit-taking and lending proved to be another source of concern.

Notwithstanding the difficult and complex base scenario and operational framework, Banca Monte dei Paschi di Siena (the "Bank") and the Monte dei Paschi Group (the "MPS Group") managed to achieve appreciable results in terms of margins and volumes, significantly limiting the decline of earnings, especially when compared with the average performance of peers.

At EUR 599.5 million and EUR 581.8 million, respectively, the Bank's and Group's net profits were more than satisfactory (the former rose by 5.5 percent and the latter was 6.0 percent lower). With the earnings performance obviously incorporated, the Bank's ROE went from 12.7 percent in 2001 to 12.3 percent in 2002, and the Group's declined from 13.4 percent to 12.2 percent (in both cases, the 2001 data were reclassified to take into account the different configuration of shareholders' equity due to the use of the revaluation reserve).

The overall earnings profile was shaped by both positive and negative factors, and in particular, the favorable results of lending business, the less-than-impressive performance of services, and the decelerating trend of expenses.

Highlighting the favorable results of the lending business are the increases of 3.0 percent and 6.6 percent, respectively, in the interest margins of the Bank and the Group, with the Bank realizing an interest margin of EUR 1,295.1 million, and the Group, a margin of EUR 2,346.6 million. The positive performance of these aggregates was driven by (i) higher loan and deposit volumes and (ii) enhancements to the pricing policy.

The improvement in the latter case yielded an expansion of the average spread between funding and lending rates for short-term maturities which is particularly significant in light of the decline in the average short-term spread reported by the banking industry as a whole.

The less-than-impressive contribution of services is reflected in both the Bank's service margin, which fell by 16.1 percent to EUR 1,571.0 million, and the Group's service margin, which was down by 14.2 percent to EUR 2,404.6 million. The decreases are principally related to a trend of the financial markets that prompted a contraction in trading income while also depressing customer commissions (especially considering the significant decrease in value of assets under management). The performance of the financial markets likewise contributed to a drastic reduction in portfolio turnover, and to the development of a stronger investor preference for highly liquid, low-risk instruments. Banking commissions was the one component of customer commissions which performed extremely well, and this was due to both better management of the conditions applicable and the expansion of the operating base. Finally, the year-on-year comparison of the service margin was adversely affected by the absence of the EUR 133 million dividend received from Bell S.A. in 2001.

Turning to expenses, the trend incorporates an expansion in absolute terms, and a sharp decline in the rate of growth: in the case of the Bank, the growth rate fell to 4.1 percent in 2002 from 8.4 percent in 2001, while at a Group level, it contracted to 2.9 percent from 8.1 percent. Achieved alongside important planning and structural development initiatives, the deceleration of the growth rate comes from intense monitoring and revision of the budget, and from the implementation of procedures aimed at overhauling the accounts payable cycle and generating more efficiencies in operations. As of the end of 2002, most of the basic conditions were in place for more rigorous and effective control of total expenditure flows.

The trend of total expenses is confirmed at the level of the individual expense components. Expanding moderately in absolute terms and at a rate above the peer-group average of 1.2 percent, expenditures for personnel at both the Bank and the Group rose more modestly in relative terms than in the prior year; the rate of expansion for the Bank declined to 5.3 percent from 7.6 percent, while the Group's rate of growth dipped to 4.1 percent from 5.3 percent. The growth of personnel expense incorporates wages increases provided by the renewal of the national collective labor contract (between 1.8 and 2.0 points of the increase), and the cost of additional staffing, mainly in the distribution networks and in the product companies dedicated to innovative businesses. Other administrative expenses grew by a very limited amount in absolute terms, while the growth in relative terms was dramatically lower year on year and below the peer-group average of 3.7 percent (at the Bank, the rate of growth stood at 2.6 percent compared with 9.4 percent in 2001, whereas the Group's rate fell to 1.0 percent in comparison with 12.8 percent in 2001). The deceleration of the growth rates can be mainly attributed to stricter monitoring of spending and to the efficacy of the measures described above in tandem with an overall stronger emphasis on planning.

In more general terms, the expansion of costs and the lackluster performance of revenues led to deterioration of the cost-income ratio in comparison with 2001; at the Bank, the ratio rose from 53.3 percent to 60.6 percent, while the Group's ratio went from 56.5 percent to 61.2 percent (all figures net of depreciation and amortization).

While the Bank's and the Group's revenues, expenditures and margins were satisfactory in



2002, the performance of volumes can be deemed impressive. Despite the critical situation in the economy and financial markets, as of the end of 2002, all principal strategic aggregates (funding, loans and capital) were at levels on par with, or above, the levels reported at the end of the preceding year.

The overall change in total customer funding (-0.8 percent for the Bank and +2.4 percent for the Group with respect to the balances as of the end of 2001) incorporates the growth of direct funding and a balance of indirect funding that held firm. In direct funding, the Bank and the Group reported gains of 0.4 percent and 4.8 percent, respectively. Substantiating the aforementioned customer preference for liquid and low-risk financial assets, the increases mainly resulted from a greater concentration of funds in sight instruments (current accounts and repurchase agreements) and in bank-issued bonds. With reference to indirect funding, the Bank experienced a 1.8 percent decrease year on year, while the Group reported a gain of 0.4 percent. The changes reflect the negative effects of the loss of value of assets under management as a result of lower equity prices (for instance, the MIB30 Index was down by about 26 percent for the year) and the benefits of significant placements of investment products whose high returns extend over a period of years. Insurance products made a key contribution in this regard, with the volumes of policies sold denoting a 40-percent increase in premiums underwritten and a further, significant gain - from 11.5 percent in 2001 to 13.3 percent in 2002 - in the hefty MPS Group's share of the bancassurance and postal market for funding.

The trend of loans was equally positive; the outstandings for the Group rose by 8.6 percent, while the Bank's portfolio contracted by 0.3 percent (the data for 2001 were restated in order to provide for the same basis of comparison by eliminating the leasing and factoring transactions which were transferred to MPS Leasing & Factoring in 2002). The development of the loan business took place for the most part in the first half of the year, given the subsequent deterioration of the economy and the Bank's concurrent pursuit of rigorous measures to limit capital absorption. The growth of loans at the Group level mainly came from the specialized product companies (MPS Merchant, MPS Bank Verde, and Consum.it), while the contribution of the commercial banks was more limited, partly due to the securitization transactions carried out during the year.

In reviewing the mix of loans by type and maturity, medium- and long-term credits continued to represent the most important component of growth. Thus, by the end of 2002, mortgage loans accounted for 42.2 percent of total loans compared with 40.6 percent at the end of 2001.

The Group's lending policy continued to unfold in accordance with the guidelines defined by the Bank, and specifically, with reference to the standardization of procedures for assessing creditworthiness and rules for loan approval. In this regard, the accent continued to be placed on the key objectives of reducing the average level of credit risk; optimizing pricing policies; and limiting capital absorption, as previously indicated. During the past year, efforts also continued on the refining of the methodology underlying a model loan portfolio for the Group, with the project now taking into account important revisions announced by the Basle Committee in relation to the forthcoming implementation of the regulations on the subject of the capital adequacy of banks.

The diversification of the loan portfolio has remained a distinctive aspect of the Group's credit policy.

The concentration of risk as of the end of 2002 was clearly limited when measured indirectly with reference to loans of amounts of less than EUR 2.5 million (56.4 percent of the total portfolio). More in general, the lending policy has been based over time on the criteria of prudence and selectivity. Within this framework, the classic indicators of credit quality have remained sound.

Despite the limited growth of the economy and the uncertain prospects of a recovery, the ratio of net non-performing loans to total loans and the ratio of doubtful loans (non-performing loans, watchlist credits, restructured credits and loans to high-risk nations) to total loans experienced relatively limited increases with respect to 2001 (in the first case, the Bank's ratio went from 1.0 percent to 1.4 percent and the Group's, from 1.2 percent to 1.5 percent; in the second case, the Bank's ratio rose from 2.9 percent to 3.9 percent and the Group's, from 3.1 to 3.5 percent). Despite the increases, the Bank and the Group both reported ratios well below the industry averages (which included a ratio of non-performing loans to total loans of 2.1 percent).

With reference to capital aggregates, both the Bank and the Group reported increases in regulatory capital. As of the end of 2002, the Bank's regulatory capital had climbed by 0.5 percent in comparison with the prior-year end to a total of EUR 6,781.8 million. Even more significant, the Group's regulatory capital rose by 4.8 percent at the end of 2002 to EUR 6,899.7 million. With changes in core capital accounting for both increases, the Bank's Tier I ratio advanced from 9.02 percent to 9.29 percent, while the Group's was up from 5.77 percent to 6.05 percent. The Group's solvency ratio also improved increasing from 8.53 percent to 8.79 percent, while the Bank's ratio fell slightly from 13.50% to 13.34%.

With the analysis of the trend of margins and volumes completed, I should like to move on to several other important subjects that warrant a separate review, and namely, the control of risks; the performance of the tax collection business; the streamlining of the Group's presence abroad; and the status of the customer portfolio.

Control of risks: Risks continue to be monitored and managed in accordance with an integrated risk management approach. While the issue of credit risk has already been mentioned in the discussion of credit-policy guidelines, there are other risks, such as country risk, interest-rate risk and liquidity risk, which merit separate comment. As far as country risk is concerned, the Bank's and the Group's unsecured exposure to high-risk nations was limited in 2002, and declining with respect to 2001. Instead, the interest-rate risk indicators point to an increase in sensitivity in 2002, although the Bank's and the Group's exposure to such risk remains extremely limited. Finally, in managing liquidity risk, the Group effects systematic monitoring of the overall structural profile of such risk. In 2002, important progress was made in the management of liquidity risk, as shown by (i) the changes in the mix of the portfolio of own securities, with a higher weight assigned to the holdings of government securities and bonds vis-à-vis stocks and (ii) the increasingly dynamic and centralized management of the Group's treasury.

These changes produced an overall reduction in the positions of the banking book exposed to liquidity risk.



Performance of the tax collection business: The 2002 results are comforting to a certain extent, especially considering the adverse developments in several aspects of the applicable regulations (in particular, the substitution of the "safeguard clause" with the much less favorable "tax-collection agent indemnity"). During 2002, the direct collection activity generated a gross operating profit of EUR 5 million, which was only slightly lower than the EUR 7 million reported for 2001. At the same time, the principal licensed tax-collection agent, Monte Paschi Serit, cut its loss to EUR 52.5 million from the EUR 58.5 million loss in 2001. These modest improvements are the result of various measures implemented in 2001 to boost operating efficiency and to develop a revenue stream from the collection of municipal and regional taxes, but they also reflect lower risk provisions for Monte Paschi Serit due to (i) more intense efforts to settle back taxes and (ii) the reduction (from 100 percent to 25 percent) of the level of capital at risk in relation to the mandates in effect (as provided by Law n. 265 of 22 November 2002). Taken altogether, however, the tax collection business continues to represent a burden for the Group. The program to boost efficiency can alleviate part of this burden, but cannot eliminate it entirely due to general problems inherent to the situation overall. Even so, the mentioned reduction of the capital at risk unquestionably represents an advantage.

Streamlining the presence abroad: The restructuring of the foreign network continued in 2002 in accordance with the strategies spelled out in the previous year. This entailed (i) the redefinition of the role of the foreign branches and representative offices on the basis of a commercial logic, and (ii) a review of the mission of the subsidiary banks of the Group, with some banks shifting to a Group private-banking organization that may be established in the future and headed by Banca Steinhauslin, and others expected to intensify their efforts to support Italian customers involved in foreign trade. These actions resulted in the closing of the Tokyo representative office and the Cayman Islands branch, the opening of a representative office in Algiers, and the creation of a plan to spin-off the private banking activity of the Monte Carlo branch of Monte Paschi Banque to a newly created company Monte Paschi Monaco S.A.M. to be 55-percent controlled by Banca Monte dei Paschi di Siena and 45-percent owned by Monte Paschi Banque. Despite these changes, the Group's presence outside of Italy continues to suffer from the general difficulties affecting banking activity abroad, as shown by the less-than-impressive results of the Group's foreign banks. There are, however, no other solutions contemplated for the future, other than the continuation of actions to streamline operations in accordance with the strategies outlined above.

Status of customer portfolio: Significant gains were made in enlarging the customer portfolio in 2002. The Bank ended the year with 2,785,000 relationships, which represented an increase of 300,000 or 12.1 percent over the preceding year (with the figures obviously inclusive of customer movements within the Group). At 4,450,400, the number of relationships in the Group's portfolio was up by roughly 110,000 or 2.5 percent. These results serve to substantiate the overall effectiveness of the product and commercial policies of the Bank and of the Group.

The efficacy of such policies is further evidenced by additional, appreciable gains in the cross-selling and retention indicators.

Despite these positive developments, the Group suffered an unpleasant experience in relation to some of its long-term savings plan products, and as chairman, I believe that the

annual meeting of the shareholders is the appropriate venue for reaffirming several fundamental points in relation to the issue, and more in general, with regard to the Group's view of production and distribution.

The fundamental points are as follows:

- The priority of the customer in the Group's business: This principle has been affirmed along with other principles by the Statement of Values approved in the past by the Board of Directors of the Bank and it will never, and I emphasize never, be compromised in that it is part of the tradition of Banca Monte dei Paschi di Siena and of the MPS Group;
- The bona fide nature of all of the Group's products, including the long-term savings plans, from a legal and financial perspective: Conceived when the financial markets were at historically high levels, and based on a medium-/long-term horizon in terms of performance evaluation, these plans, like many other financial instruments, have been penalized by a market downturn which has turned out to be extraordinary in terms of its intensity and duration;
- The accent placed on marketing policies and on the resulting segmentation of the market: The sole objective of this effort is to provide for the best match between the financial needs of the customer and the relative risk profiles, with differing risk-return combinations offered by various products and services;
- The commitment to assess all customer complaints: Any complaints from customers are examined with due attention, fairness and resolve, and in the case of the long-term savings plans, with the candor required for reviewing the specific cases involving questionable aspects of the placement phase.

The last point naturally goes hand in hand with the first, the principle of the central role of the customer. It is for this reason, and with the hope of triggering a virtuous circle, that the Group opted for open discussion with Consumers' Associations in relation to the subject of long-term savings plans. At present, I can affirm that the examination of this issue has begun with the drafting of a protocol document which is based on several criteria on which the Group and the Consumers' Associations agree; once perfected, the protocol will be executed by the parties in order to facilitate a case-by-case review of the individual complaints. Should the premises exist therefor, the appropriate settlements will be made, thus uniting the interests of the Bank and those of its customers.

The Bank's conduct in this extraordinary situation has nonetheless been completely in line with its own commitment and the firm commitment of the Group in the more general area of social responsibility. In this area, the year of 2002 witnessed further progress in initiatives linked to environmental protection, attention to social issues, and the certification of the quality of services and processes.

All of these initiatives are detailed in the 2001 edition of the Socio-Environmental Report which was presented to the public on 3 October 2002, and which earned a special award (Financial Statements of Large Institutions) as part of the "Oscars for Financial Statements



and Financial Communications" event, organized by the Italian Public Relations Federation in Milan.

Turning now to the Business Plan and strategy, I might first note that the Bank's and Group's actions in 2002 were again oriented toward the achievement of growth and value-creation objectives. The priority was placed on the implementation of the 2002-2005 Business Plan approved by the Bank's Board of Directors on 10 January 2002, and described in my summary comments to the shareholders which I read on the annual meeting held in April last year.

The 2002-2005 Business Plan is a follow-up to the 2001-2004 Business Plan approved by the Bank's Board of Directors on 14 November 2000. The revision of the Group's Business Plans within a relatively limited time frame resulted not so much from strategic short-sightedness, but rather, as I indicated in my summary comments in 2001, from the completion of all fundamental steps of the first Business Plan and, more importantly, from the need to adjust the operating strategies of the Group to the reality of a scenario for the economy and the financial markets that had changed dramatically in the aftermath of 11 September 2001.

Thus, while the new Plan is based on the same strategies as the previous Plan, and it therefore re-affirms internal/external expansion, value creation, earnings improvement and higher volumes of direct/indirect intermediation as the main elements driving the Bank's and Group's future growth, the new Plan also contains more specific provisions regarding operating policies, organizational structure and human resources.

In particular, the Plan outlines the following with regard to:

- operating policies:
- the improvement of the productivity and of the capacity to service customers, to be pursued through specialization by markets and by segments of production/distribution structures;
- the improvement of management efficiency, to be pursued through the re-engineering of the operating processes and increased productivity;
- the optimization of risk management through the development of the models and the refinement of procedures for measuring and controlling credit, market and operating risks:
- organizational structure: the planned changeover from an integrated group with multiple areas of specialization to a group organized by divisions concentrating on multiple markets;
- human resources: the functional streamlining of the resources, and the promotion of a professional development program.

With this orientation, the Group inaugurated roughly 30 projects in 2002 as part of the implementation of various aspects of the Business Plan. Proceeding in line with the

operational plans, these projects were scheduled to be fully completed over a two-year period. In any event, significant results have already been achieved on certain projects that are now at an advanced stage of completion.

In particular, the initiatives aimed at increasing commercial productivity and improving the capacity to service the customer have already led to the following:

- with reference to the retail market:
- the development of a Private-Banking platform to guarantee a distinct approach to this business, which is based on integral management of customer assets, the specialization of the service model in the commercial banks and the sharing of the best management skills of the Group;
- the launch of the "Carattere" service for the Affluent segment, which provides for the addition of network staff dedicated to financial consulting and welfare planning; these managers will be supported by a sophisticated personal financial planning system exclusive to the MPS Group that facilitates a more in-depth understanding of customer needs; using this system, the specialized personnel will be able to come up with more precise proposals in terms of risk-return combinations and asset allocation in general;
- the further development of a centralized Customer Relationship Management system for the Family segment that will allow for a significantly more effective marketing approach and the start-up of campaigns aimed at shifting transactions with low added value to the electronic banking channels;

-with reference to the corporate market:

- the inauguration of a new service model for small/medium enterprises, with the creation of SME Centers staffed with dedicated managers who will operate with the support of the specialists within the product companies;
- the development of a similar service model for small businesses, which will also use specialized managers employing a specific commercial strategy and a range of products dedicated to this particular customer segment;
- the gradual concentration of the management of all large corporate relationships in a single unit at a Group level;
- the development of specialized services for governments and government entities.

The increasing specialization of the distribution network by customer segment has been flanked by the ongoing diversification of the product/service portfolio and an emphasis on specific products capable of increasing market penetration and customer loyalty. The more significant initiatives in this regard include the restructuring of the portfolios of mutual-fund and bancassurance products, the broadening of the range of consumer credit products, and the development of products dedicated to small/medium enterprises,



particularly with reference to the hedging of risks.

Electronic banking services represent another area where changes have been made. The initiatives in this regard include: the updating of the systems of the various banks of the Group in the retail and corporate units; enhancements to the Group's presence in the business of e-commerce; MPS Finance's inauguration of the Deal@Done Trading system for the buying and selling of securities; and additions to the range of credit and debit cards available.

The drive to improve operating efficiency has involved the following actions:

- with reference to production processes: the start of a program to optimize network operations, with changes to procedures and organizational structure; the revision and downsizing of the head-office structures of the commercial banks; and the increasing centralization of the back-office operations for the network and the head office. All of these efforts have also been aimed at freeing resources dedicated to low added-value activity and the subsequent use of those resources in sales and marketing activity.
- with reference to the streamlining of operating expenses: the development of zero-base re-planning of IT investments for the Group, with the growth thereof limited to high-priority programs only; the ongoing centralization of purchasing, with immediate benefits in terms of pricing from leading suppliers; the implementation of specific measures to hold down administrative expenses and to modify spending procedures so as to achieve better control over the same. These efforts have all been carried out without compromising the levels of quality achieved to date.

Following are highlights of the measures taken to optimize risk management:

- in relation to credit risk, the Group has almost completely concluded the revision of the disbursement and tracking procedures which will be also specialized by customer segment and supported by rating and scoring programs; the objective is to strengthen the efficacy and efficiency of the governance of credit risk and to obtain a better return on capital employed, including in light of the content of the Basle Accord mentioned previously;
- in relation to operating risks, the Group has developed a project to design and build sophisticated instruments for identifying, measuring and managing such risks.

As mentioned previously, the 2002-2005 Business Plan also contemplates changes in the Group's organizational structure, and specifically, changes to facilitate the transition from an integrated group with multiple areas of specialization to a group organized by divisions concentrating on multiple markets. The initiatives in this regard have been numerous and have had a significant impact on the organization. While this subject is reviewed in further detail in the discussion of some of strategic planning initiatives (and specifically, the mergers by incorporation of Banca 121, Banca Agricola Mantovana and Banca Toscana into Banca Monte dei Paschi di Siena), it is important to note here some of the strictly operational changes which regard the product companies of the Group.

#### The principal changes include:

- the further development of the "excellence centers" with MPS Merchant designated to head up the activities of merchant banking, investment banking advisory services, private-equity investing, and MPS Bank Verde charged with handling advisory and assistance in relation to environmental initiatives and projects in the farming and agroindustry sectors;
- the completion of the transformation of MPS Leasing & Factoring into a single product company in the specific business area;
- the inauguration of the operations of MPS Gestione Crediti Banca, a unit charged with the management of non-performing loans for the Group;
- the consolidation of MP Asset Management SGR's leading position in the area of funds management, partly through the merger by incorporation of another three funds management companies within the Group;
- additional enhancements to the operations of MPS Finance, and in particular, in the area of investment banking;
- the consolidation of Intermonte Securities SIM's position in equity trading, despite a market climate that has been anything but favorable;
- the development of Consum.it's role in consumer credit, and the strengthening of its presence in the market for revolving credit cards and personal loans.

As mentioned previously, a final aspect of the 2002-2005 Business Plan regards human resources, and specifically, functional measures to streamline staffing and to promote a professional development program.

The drive to functionally restructure staffing at the Group level has embraced the following actions: the revision of head-office units, with the resulting reduction in staffing at those units (Head Offices) and at the Corporate Center; programs to retrain personnel for activities in the sales and marketing areas; early retirement incentives and "solidarity fund" plans; the recruitment of young professionals offering high potential and other professionals with specialized skills and credentials; and the preparation of a Human Resources Plan for the Group. Taken altogether, these measures have translated into better utilization of the resources deployed to the various units of the Group, especially the resources assigned to the head-office units and the networks. The Group also managed to eliminate 115 jobs, with the work force totaling 27,517 at the end of 2002, including 12,587 people employed by Banca Monte dei Paschi di Siena.

Efforts on the professional development front in 2002 included the drafting and implementation of a Training Plan. The plan defines a series of initiatives aimed at (i) ensuring the professional skills needed in relation to the responsibilities and specialization required by the Group strategies, and (ii) elevating levels of employee involvement and



motivation. More specifically, the programs are focused on immediately providing an effective response to training and communications needs related to the implementation of the numerous projects under way, and creating an integrated training system for the Group over the short and medium term.

The significant attention placed on the implementation of the 2002-2005 Business Plan and the start-up of a large number of projects in relation thereto did not mean setting aside strategic planning. From this perspective, the Group made an intense and determined effort in pursuing the fundamental strategies of expanding the organization and ensuring its appropriate balance on the one hand, and of realizing satisfactory earnings performance and creation of value on the other hand. This approach is predicated on the conviction that such strategies represent the essential steps toward the ultimate objective of the Bank's and the MPS Group's strategic autonomy.

Given the previous comments on earnings performance, I might now move on to a more in-depth examination of the issues of the Group's expansion and the adjustment of the overall organizational structure.

Even though the Bank and its controlling shareholder continue to share the commitment and determination to expand further, the objective of completing a major merger or acquisition in 2002 was dropped due to the negative actual and expected performance of the economy and financial markets, and to uncertainties about the development of new regulations applicable to banking foundations.

Notwithstanding this setback, strategic planning continued to move ahead, with the Bank orchestrating further rationalization of the Group's overall structure.

Numerous important transactions based on this objective were brought to a close in 2002, including:

- the sale of a 4.99-percent interest in San Paolo-IMI to the London branch of Deutsche Bank AG;
- the merger by incorporation of Banca 121 into Banca Monte dei Paschi di Siena, and the consequent spin-off of the newly created entity known as Banca 121 Promozione Finanziaria;
- the sale of a 25-percent interest in Cassa di Risparmio di San Miniato to Cattolica di Assicurazione;
- the merger by incorporation of Banca Agricola Mantovana and of Banca Toscana into Banca Monte dei Paschi di Siena and the consequent spin-off of the incorporated assets to wholly owned subsidiaries of the Bank and the delisting of the shares of the two incorporated companies;
- the sale of the controlling interest in Cassa di Risparmio di Prato to Banca Popolare di Vicenza;

• a three-year renewal of an advisory and voting pact with Banca Popolare di Vicenza in relation to the aggregate holdings (7.93 percent) of Banca Monte dei Paschi di Siena and Banca Popolare di Vicenza in the capital of Banca Nazionale del Lavoro.

Each of these transactions responded to specific objectives:

- The sale of the interest in San Paolo IMI allowed for the divestiture of a shareholding which had lost the strategic significance it had at the date of acquisition. At the same time, the transaction facilitated the improvement of capital ratios, and the realization of an important capital gain in relation to the original carrying value. Finally, considering its particular technicalities, the transaction will also allow the MPS Group to participate over the medium term in the potential growth of the San Paolo-IMI stock price;
- The incorporation of Banca 121 and subsequent spin-off of assets served to complete a series of transactions delineated at the time of the acquisition of the then Banca del Salento which were aimed at the creation of a group of financial advisors, as part of the more general strategy of specializing the production and distribution structure of the MPS Group;
- The sale of the interest in Cassa di Risparmio di San Miniato led to the termination of a partnership that provided only a modest contribution in terms of both product placements and the return on invested capital. At the same time, the transaction generated a satisfactory capital gain;
- The incorporation of Banca Agricola Mantovana and Banca Toscana into Banca Monte dei Paschi di Siena has paved the way for the realization of significant cost synergies, particularly through the concentration of the securities portfolios, a part of the long-term equity portfolio, and certain non-historic property assets with the Bank (in the last case, the assets were then transferred to the new company, MPS Immobiliare, as part of a real estate investment logic). The transactions resulted in focusing the business of the two incorporated companies on typical banking activity, while also simplifying the chain of command within the Group. At the same time, the changes had virtually no effect on the identity and the brands of the two incorporated companies or on their franchise in their respective markets;
- The divestiture of the interest in Cassa di Risparmio di Prato met the objective of streamlining the Group's presence in an area which is already significantly covered by the Bank and Banca Toscana, allowing at the same time for the realization of an important capital gain;
- Finally, the accord in relation to the investment in Banca Nazionale del Lavoro will allow the MPS Group to maintain a significant role in the governance of the institution, thereby putting in place the conditions needed to safeguard the value of the investment and to preserve an important "strategic window" for a possible external growth opportunity in the future.

Considered altogether, these transactions have allowed the Group to maintain the strategic



option of external growth while also facilitating a significant rationalization of the Group's overall structure. Emphasizing the latter point, a comparison of the data before and after the sale of Cassa di Risparmio di Prato shows the Group's status at a national level remained almost unchanged while the presence in its traditional marketplace ended up being more balanced.

During 2002, the number of branches contracted by 21 to 1,791, while the number of ATMs operated by the Group was down by 24 units to 2,312, and the number of financial advisors affiliated with the Group declined by 207 to 1,512. These decreases were flanked by increases in the number of financial boutiques and POS terminals operated by the Group; the former rose by 5 units to a total of 262, while the latter incorporated the addition of 3,221 units for a year-end total of 62,920.

Over the same period, MPS Merchant opened three new representative offices to end the year with 17 units, while MPS Banca Verde inaugurated 7 facilities to close the year with a total of 19 units. In comparison with 2001, the territorial distribution of the Group's branches as of the end of 2002 was better balanced: the number of branches in the northern regions of the country increased from 27.54 percent to 28.48 percent, while the figure for the southern regions, Sicily and Sardinia climbed from 20.20 percent to 21.05 percent; offsetting this growth, the total branches in the central regions decreased from 52.26 percent to 50.47 percent, with a pronounced decline in Tuscany and Umbria, where the share dropped from 38.30 percent to 36.01 percent.

The changes in the distribution of the branches are also the by-product of a precise expansion plan based on controlling the growth of the number of branches and on streamlining and optimizing the Group's overall network.

In particular, the 2002 Territorial Expansion Plan was drafted and implemented on the basis of precise indications regarding specific areas for expansion of the individual commercial banks in relation to their past experience and their mission, and the commitment to avoid overlap with respect to the existing network.

The Group's distribution strategy has likewise remained focused on the development of an integrated network of various distribution channels, and more intense use of electronic banking channels (internet banking, mobile banking, phone banking, tv banking and remote banking), with the contracts in effect for such services increasing by 24.7 percent (going from 964,952 at the end of 2001 to 1,203,083 at the end of 2002).

Having reviewed the positive developments and results for the year, it is also worth noting that some objectives were not achieved. In this regard, the issue of external growth produced the biggest disappointments.

Aside from not having completed a major merger or acquisition, it was impossible for the Group to acquire the controlling interest in Banco di Chiavari e della Riviera Ligure from Banca Intesa

Although the transaction would have allowed the MPS Group to achieve greater market penetration in northwestern Italy and in Liguria (areas where the Group has only had a modest presence), a decision was taken to withdraw from what turned out to be an auction that would have resulted in an excessive cost for the investment, with the consequent burden on Banca Monte dei Paschi di Siena's capital and earnings and the probable depreciation of its share price.

Summing up, it has been once again a source of great satisfaction and pride for me to outline the most outstanding events occurring in 2002 to the Bank's shareholders; despite the numerous critical factors enveloping the economy and the financial markets during the year, the Bank and the Group

- achieved satisfactory performance in terms of earnings and financial position, which in several cases was above the average for leading competitors;
- effectively and punctually implemented the Business Plan;
- carefully and equitably managed various extraordinary developments and;
- designed and implemented broad-based strategies that will allow for keeping opening external growth options and for having an overall structure that is more streamlined and better defined.

Despite this progress, with the constant process of change, there is no time to linger, and the Bank and the Group must look ahead, continuing to conduct their day-to-day activity, realizing business initiatives and developing strategic actions.

Consistent with this orientation, the Bank's Board of Directors met on 23 January 2003 and approved a budget for the Group's core business that is ambitious, challenging and particularly rigorous in terms of controlling costs.

Thereafter, at the start of February 2003, the Board of Directors examined an update on the state of completion of the 2002-2005 Business Plan with reference to various business initiatives. At the same time, the Board approved several strategic guidelines and provided a mandate to the Group's Senior Management to translate those guidelines in the first half of 2003 into a detailed proposal addressing the implications of the strategies on earnings, financial position and the organizational aspects in relation thereto. In general, the strategic guidelines are based on the growth of the Group and the improvement of operating performance. In the latter case, several measures have been delineated, including: proposed actions to reduce the cost structure; the intensification of the specialization and segmentation policies, especially with regard to the private-banking and corporate business areas; and the streamlining of holdings of non-strategic and low-yield assets. The timing for the presentation of the detailed proposal is considered indicative, with a slight deferral contemplated in light of the changes in the Boards of Directors and Statutory Auditors as of this shareholders' meeting and the appointment of the new Chief Executive Officer to be made at a later date.

Finally, in the area of strategic planning, the Group's efforts in early 2003 were a continuation of the initiatives carried out in 2002, with decisions involving various areas of interest:

- the approval of the general guidelines for the restructuring of Banca Monte Paschi Belgio;
- an increase in the equity investment in HOPA S.p.A., from 7.67 percent of the capital



to just over 9 percent;

- the revision of the agreement with the Unipol Group mainly with regard to several equity holdings, and in particular, an increase in the MPS Group's holding in Finsoe from 25.6 percent of the share capital to 39.0 percent, with concurrent settlement of several importance governance issues in Banca Monte dei Paschi di Siena's favor, and the commitment by Unipol to maintain a 1.99-percent interest in the capital of Banca Monte dei Paschi di Siena even in the event of capital increases, and the confirmation of prospects for the further development of the commercial relationships between the two groups;
- an increase in the equity investment in Assicurazioni Generali S.p.A. from 0.4 percent of the share capital to around 3.0 percent and the subsequent execution of an advisory pact in relation to the same with UniCredito Italiano and Capitalia;
- the approval of the merger by incorporation of Ticino Vita into Montepaschi Vita;
- the definition of the plan to reorganize the Group's Irish-law companies, with the streamlining of the functions carried out by MPS Finance Ireland (former Mantovana Ireland, with the controlling interest in the same transferred from the Bank to MPS Finance), Monte Paschi Ireland (former 121 Financial Services, with the controlling interest in the same already transferred from Banca 121 to Banca Monte dei Paschi di Siena), Intermonte Ireland, Monte Paschi Asset Management Ireland, and Grow Life

Each of these transactions responded to specific objectives:

- The approval of Banca Monte Paschi Belgio's restructuring is part of the program previously mentioned to streamline the Group's presence abroad;
- The increased investment in HOPA will ensure the Bank's maintenance of a key position in the strategic governance of a company which plays a pivotal role in Italy's financial and entrepreneurial system;
- The accord with Unipol Group is to be viewed as another step in developing and strengthening the relationship with a partner considered important to the MPS Group's core business activity as well as its corporate alliances in general;
- The increase in the investment in Assicurazioni Generali was concluded on both the prospect of a good economic return and in relation to the potential for the Bank's and the Group's further participation in the ongoing and important process of restructuring of the Italian financial system;
- The Montepaschi Vita transaction was carried out as part of a process to streamlining the Group organization, and in particular, through a merger that will ensure significant economies of scope and scale;
- Finally, the Group decided on the reorganization of the Irish-law companies given some

inconsistencies between the various initiatives undertaken over time and a series of decisions taken outside of a single, unified framework.

This concludes the discussion of the highlights of 2002 and the first four months of 2003.

The year of 2002, however, also marks the end of the three-year mandate to the current Board of Directors; in reality, the Board of Directors has changed very little over the past six years, with Francesco Saverio Carpinelli appointed in July 1998, the election of Giovanni Semeraro in June 2000, and the appointment of Ivano Sacchetti in April 2001. While an assessment of the various events taking place during this period is obviously not up to me, I do believe it's legitimate to express some personal feelings, and in this regard, I cannot but indicate a great sense of satisfaction, and my conviction that this Board of Directors, whose members I thank sincerely, is handing over to the new Board of Directors something different than what it inherited, and in particular, a bank that has become more of a profitable enterprise and a group that can now genuinely be called a "group" not only because of its size, but because of the unity and adequacy of its organization. Moreover, the facts speak for themselves: between 1999 and 2002, consolidated net profit rose by 29.4 percent, aggregate funding climbed by 22.5 percent, customer loans expanded by 30.9 percent, and shareholders' equity grew by 25.4 percent. Over the same period, the ratio of non-performing loans to total loans decreased by 1.7 percentage points, the number of employees rose from 25,324 to 27,517, and the total number of banking facilities in Italy and abroad advanced from 1,590 to 1,864.

This progress is naturally also to the merit of Senior Management and all of the Group's personnel. It remains to be said that this retiring Board of Directors, with its various roles and responsibilities, believes that it has done its part, if not for anything but its attentiveness and presence. Affirming this, we can once again turn to the facts, and specifically, to the exceptionally demanding meeting schedule for the Board and the Executive Committee whether measured by national or international standards. The Board of Directors held 37 meetings in 2000, 35 in 2001 and 32 in 2002, while the Executive Committee met 41 times in 2000, 42 in 2001, and 46 in 2002.

In conclusion, the overall picture for the Bank and the Group which emerges from these developments appears comforting. With many accomplishments normally flanked by some disappointments, it is thus unrealistic to think of portraying the past years as a period of positive developments only, particularly given the difficulties of the economy and the financial markets and the uncertainty which we have had to face.

Nonetheless, in light of the accomplishments, I wish to thank all of the Bank and Group employees for their professionalism, dedication, sense of commitment and loyalty. This note of appreciation also extends to union representatives, with whom I hope it will be possible to re-establish relationships which are based, despite obvious differences, on mutual respect and the pursuit of the best interests of the Bank and the Group.

I also wish to acknowledge the contribution of the Head-Office Executives and other managers in terms of skills and project development, with a candid appeal for unity. I should furthermore like to express my thanks to the former Chief Executive Officer,



Vincenzo De Bustis Figarola, for his input in the area of innovation, particularly with reference to the Bank's and the Group's organizational structure and processes. A special note of appreciation also goes to the Deputy Chief Executive Officer, Piergiorgio Primavera, for the sense of duty demonstrated as he has temporarily taken on the responsibilities of Chief Executive.

Let me again extend my sincere and great thanks to the other members of the Board of Directors with whom I have developed strong personal relationships over the years of working together. I wish to acknowledge specifically the quality of their professional contribution that has been assured over the years, and the continuous, credible and impartial support which they have provided to me in my role as Chairman.

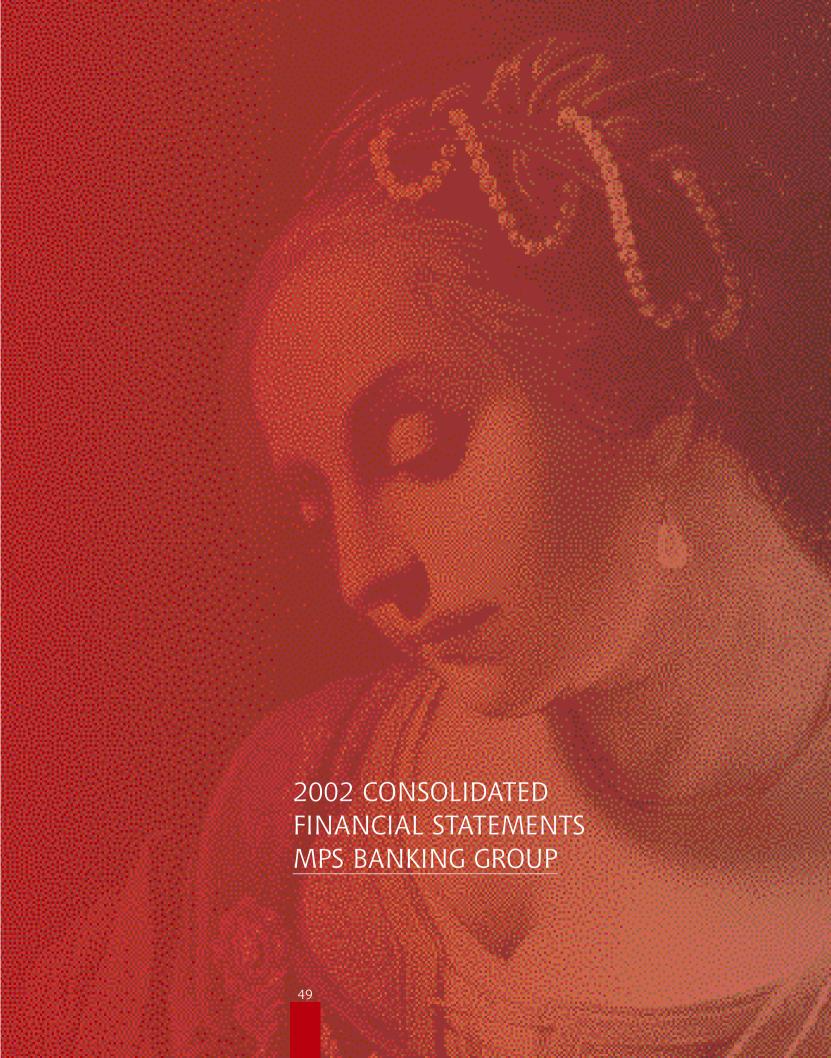
A final note of thanks goes to the Chairman of the Board of Statutory Auditors, Giuseppe Vittimberga, and his two colleagues for the rigorous and expeditious controls which they have consistently assured.

Considering the achievements of 2002, the decisions taken in early 2003, and the indications relative to the Bank's and the Group's performance in the first quarter of this year, we look to the future with confidence and peace of mind. It is a future, though, with no shortage of challenges and no easy alternatives, especially in the midst of an operating framework and a scenario for the economy and the financial markets which are characterized by current difficulties and uncertain prospects.

With this situation, I should like to close with a message of hope and certainty.

First, I hope that the Bank and the Group will be in a position to pursue their growth and business-development objectives, and to operate without undue stress and with the input of all stakeholders, though with complete respect for independence and individual authority.

Next, it is certain that the Bank and the Group have the strength and capacity for successfully taking on the competition and the challenges of the market, primarily because they are able to count on a distinctive competitive factor, namely, a corporate culture which is capable of blending the preservation of tradition with an open attitude to change and innovation.







## THE IMPLEMENTATION OF THE MPS GROUP BUSINESS PLAN

## ■ THE DEVELOPMENT OF THE GROUP DURING 2002 AND THE IMPLEMENTATION OF THE BUSINESS PLAN

On 10 January 2002, the Board of Directors of Banca Monte dei Paschi di Siena approved the new 2002-2005 Business Plan, which provided for an update of the MPS Group's growth objectives in light of the most recent developments in the economy and the changing scenario for the financial markets. The key objectives of the new strategy include further emphasis on: the growth of the productivity of sales and marketing through the specialization of the distribution/production structure; the management of risks and of the lending processes; and the improvement of efficiency through the re-engineering of operations at the Head Office and within the network. During 2002, the MPS Group inaugurated roughly 30 strategic projects which are part of the Business Plan's implementation and which are consistent with the growth strategies underlying the plan. Important initiatives were also undertaken with regard to the restructuring of the MPS Group in order to bring the organization's structure in line with the strategies, to streamline the governance procedures and to free up capital for other strategic investments.

## ■ GROWTH OF THE PRODUCTIVITY OF SALES AND MARKETING AND MANAGEMENT OF RISKS

The MPS Group's strategic undertakings in this area have been aimed at augmenting the capacity for expanding business with the customers, and further specializing the service model for catering to the retail and corporate markets.

#### ■ Retail market

A Private Banking platform has been developed in order to guarantee a distinct service model for this segment and to maximize synergies at a group level. The creation of dedicated private-banking distribution channels within the commercial banks of the MPS Group continues, while other efforts have gone to enhancing Banca Steinhauslin's role as the MPS Group's principal private-banking unit.

- A service model for the Affluent segment is currently being defined, and includes the placement within the commercial banks of specialized personnel dedicated to financial consulting, and the development of sophisticated methodologies of Personal Financial Planning. The service model is mostly complete for the majority of the BAM and BMPS target customers, while the project is getting under way at Banca Toscana.
- For the Family segment, the MPS Group has developed a sophisticated system for managing marketing campaigns and customer relationships (CRM); this system is now on line at all of the branches of the MPS Group's banks. Other successful initiatives have been undertaken to provide incentives for shifting transactions with low added value to remote distribution channels.

#### **■** Corporate Market

- The MPS Group has come up with a new model for developing and managing relationships with middle market firms. The new model involves the placement of dedicated relationship managers operating in SME service centers within the MPS Group's commercial networks, and the offer of specialized products / services developed by the product companies.
- Similarly, for the small business segment, the MPS Group is putting together a project which provides for the placement of specialized managers in the commercial network, and the development of a specific range of products to suit the needs of this clientele.
- Another project was inaugurated to promote specialized services for local and municipal governments and public-sector entities, in order to support their ongoing transition into independently managed units of the central public administration.
- As far as the large corporate segment is concerned, efforts have continued in order to concentrate all relationships into one Group unit. The unit, which is staffed with highly specialized professionals, will be responsible for coordinating the commercial management of these customers.

## Risk management

- Projects have been undertaken to reorganize loan disbursement and performance monitoring by customer segment, with the objective of boosting efficacy and efficiency.
- An internal rating system was introduced for large corporate clients, and is now being extended to the other customer segments.
- All of the new processes have been developed based on concepts and methodologies which are compatible with the principles of Basle II.



#### **■** Improvement of efficiency

During 2002, the MPS Group placed a strong emphasis on efficiency gains, with actions were taken to shift professional resources away from activity with low added value. Additional efforts went to streamlining operating expenses.

The most important projects in this area regarded:

- An organizational review and the optimization of the processes within the commercial networks;
- Organizational alignment of the Head Office structures of the commercial banks of the MPS Group;
- Centralization of back-office operations for the network and the head offices in specific Group operations centers;
- Completion of the centralization of purchasing and the revision of the processes in the payables cycle;
- Overall zero-base re-planning of the investments in information technology at a group level:
- Actions to curb administrative expenses through specific crash programs and changes to spending procedures.

#### ■ Restructuring of the MPS Group

In 2002, the MPS Group proceeded with a reorganization plan developed and implemented in preceding years. Following are the most recent principal aspects of the reorganization:

- An agreement for the merger of Banca Agricola Mantovana and Banca Toscana into BMPS with the simultaneous spin-off of the banking activity of the merged banks into two newly created companies which will continue to do business under the banks' original names (\*).
- The merger of Banca 121 into BMPS, and the spin-off of the financial advisory activity into the newly created company, Banca 121 Promozione Finanziaria.
- An agreement for the sale of the majority interest held in Cassa di Risparmio di Prato.
- An agreement for the sale of the minority interest held in Cassa di Risparmio di San Miniato.
- The definition of a plan and initial efforts for the incorporation of a Monegasque-law private bank in the Principality of Monaco, with the spin-off of the assets of MP Banque's Monaco branch (\*).
- The transfer of Mantovana Management (an Irish law company) from Banca Agricola Mantovana to MPS Asset Management.
- The incorporation of MPS IMMOBILIARE S.p.A., a company which will house virtually all real property assets of the MPS Group (\*).

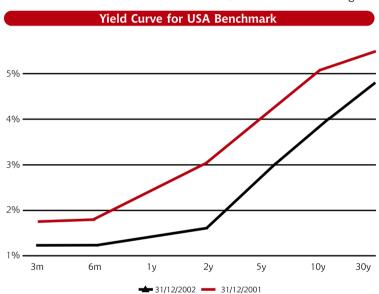
(\*) Transactions perfected or to be perfected in 2003



## OVERVIEW OF ECONOMY AND INDUSTRY TRENDS

## ■ MACROECONOMIC SCENARIO

DP at a global level expanded by 2.8 percent in 2002, in comparison with 2.2 percent in 2001, dominated by the U.S. and several Asian countries. However, the pace of growth tended to slow in the final months of the year as the intensification of geopolitical tensions had the effect of depressing the propensity of consumers and businesses to spend. The situation was further exacerbated by the drop in equity prices. In the United States, the rate of economic growth moved up to 2.4 percent in 2002 from 0.3 percent in



2001, and was one of the highest on record for the OECD countries. After starting off the year on a very positive note, the economy lost some of its steam, and by the fourth quarter, the annualized rate of GDP growth was 1.4 percent. The Federal Reserve's most recent Beige Book (March 2003) has reaffirmed that the U.S. economy is encountering difficulties in rebounding, with business at a standstill in some areas and industries. The propensity to consume has been affected by the contraction of financial wealth and the trend of the labor market (the unemployment rate has hovered close to 6 percent, whereas it was below 5 percent through September 2001). At the same time, the process of capital accumulation has shown signs of weakness. The Federal Reserve Bank maintained a neutral stance through 6 November, when it lowered the reference rate from 1.75 percent to 1.25 percent. While short-term market interest rates quickly aligned with the rate reduction, the largest decreases were

seen around the mid-point of the benchmark yield curve, thus indicating the minor confidence of the markets in a significant and rapid turnaround of the economy. In Japan, the components of domestic demand remain weak, while prices and wages continue to fall. In the second half of the year, exports suffered from the appreciation of the yen (over 10 percent against the dollar) and the slowdown of world trade.

#### ■ GROWTH RATES IN THE WORLD'S LEADING ECONOMIES

	2001	2002	2003 (forecasts)
OECD countries	1.0	1.3	1.5
United States	0.3	2.4	2.4
Eurozone	1.4	0.8	1.3
Italy	1.8	0.4	1.3
Germany	0.7	0.2	0.7
France	1.8	1.0	1.4
Japan	0.4	0.3	0.5

The economic crisis in Argentina prompted a 10-percent annual contraction in GDP and led to the default on the payment of interest on the country's foreign debt.

The situation in Argentina had repercussions on Uruguay, whose currency was withdrawn from a fixed-exchange rate system and whose banking system suffered a serious crisis, and on Brazil, which coped with a higher risk premium on government securities until the election of the new president

In the Eurozone, the growth was modest, averaging less than 1 percent. The strong performance of countries such as Ireland and Spain was offset by virtual stagnation in nations such as Holland and Germany.

There were virtually no changes overall in the negative trend of investment and the weakness of consumption, while exports accounted for over 50 basis points of the total growth rate. Following a sharp deceleration to 1.8 percent per annum as of June, the rate of inflation rebounded and rose to 2.3 percent as of December, mostly reflecting

the run-up of oil prices.

The rate of price growth varied from country to country, ranging from 1.3 percent in Germany to 4.6 percent in Ireland.

The European Central Bank also took a neutral, wait-and-see posture for most of the year, with the aim of ensuring the achievement of the mediumterm inflation target of 2 percent. The reference rate was cut from 3.25 percent to 2.75 percent at the beginning of December in light of the

Yield Curve for EUR Benchmark

5.5%

4.5%

4.0%

3.5%

3.0%

2.5%

appreciation of the euro and the easing of inflationary tensions on a weaker economy.

Short- and medium-term market interest rates decreased by roughly 50 and 100 basis points, respectively, during the year. The markets' year-end expectations of further easing of monetary policy were fulfilled with the ECB's decision to lower the reference rate to 2.5 percent on 6 March 2003.

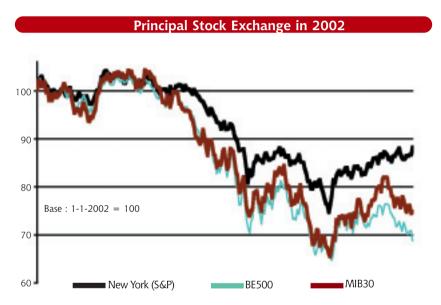
In Italy, short-term rates (up to three months) fluctuated around 3.3 percent through the final quarter of 2002, dipping below 3 percent in the final months of the year in response to the ongoing weakness of the economy and the reduction of the reference rate effected by the ECB. (The pre-tax yield on Italian Treasury Bills (BOTs) stood around 2.7 percent in the fourth quarter). Medium-/long-term rates experienced a wider range of fluctuation, rising in the first half on a certain degree of confidence in the economic recovery and then falling significantly in the second half. (The pre-tax yield on medium-/long-term government bonds declined by over 100 basis points to less than 4 percent - gross - in December).



Italy's GDP was up by 0.4 percent for the year. The growth of consumption was impeded by the conservative attitudes of consumers, the consequent reduction in the propensity to spend, and a decrease in financial wealth. Capital investments reflected the trend of demand and of various risk factors in relation thereto. The 1-percent contraction of exports stemmed from both the reduced price competitiveness of Italian goods and services and a decrease in demand from within the European Union. Inflation in Italy averaged 2.6 percent for the year, and was influenced mainly by the changeover to the euro and the trend of prices for food products and some services.

In the foreign-exchange markets, the euro closed 2002 having appreciated by 18 percent against the U.S. dollar, with the exchange rate hovering around EUR 1.00/USD 1.04 at year end. The appreciation of the euro against the yen was more than 7 percent. The European currency's value has been influenced by changes in the holdings in many international

portfolios, driven in part by the increasing current account deficit in the U.S.



The correction of leading equity market indices continued in 2002. The setbacks, which were mainly concentrated in the summer months, have been highly correlated to less optimistic expectations about the trend of corporate earnings and several instances of bankruptcy and accounting irregularities at large publicly traded multinational companies (Enron, Worldcom, and Vivendi). The differential between the ratio of corporate earnings/prices and the real long-term interest rate moved back to levels close to those on record for the first half of the nineties.

The Milan Stock Exchange closed the year with the MIBTEL Index declining by around 23 percent; though doing better than the European BE500 Index which dropped by 31.4 percent, the Milan market lagged the performance of the S&P Index (-13 percent) and Japan's Nikkei (-18 percent).

Trading volumes on the Milan Exchange decreased by almost 4 percent, while the amounts of capital raised through the market were more than 50 percent lower.

Bank issues lost some 27 percent, and the performance for insurance issues was even worse, with a loss of 35.3 percent in value. Energy and construction were the only sectors which posted gains for the year.

Considering the performance of the stock markets and the high risks involved in financing emerging markets, many investors shifted their funds into government securities, and this caused a general expansion of the differential between rates paid on private-sector issues and government bond yields. The amounts of securities issued by companies becoming insolvent was some 50 percent higher in comparison with 2001.

### BANKING INDUSTRY TRENDS

The operating scenario for banks in general was less than favorable in 2002 as a result of several developments: an overall decrease in the financial wealth of households, conservative investment decisions, and the fragility of the earnings and financial position of several large corporate customers.

Direct funding (deposits, repurchase agreements, and bonds) remained buoyant as a result of several elements favorable to bank products: uncertainty, the decrease of equity markets, and a low opportunity cost. At 8.7 percent, the average annual growth of direct funding was significantly higher than the 4.5 percent expansion recorded in 2001. The concentration of funds in current accounts and bonds became more pronounced with such instruments now accounting for more than 80 percent of the funding; significant gains were also recorded in the balances on savings deposits (+6.6 percent) and in the growth of repurchase agreements (+6.1 percent). Such increases were matched by a 14 percent decline in funds held in certificates of deposit. The trend of funding at the MPS Group was more or less in line with that for the industry as a whole; the MPS Group's market share thus remained above 6.7 percent.

The pace of growth of funding in the Eurozone was below the rate recorded in Italy. Peaking at around 7 percent at the start of the year, the rate of expansion slowly decelerated thereafter and stood at 4.3 percent in December.

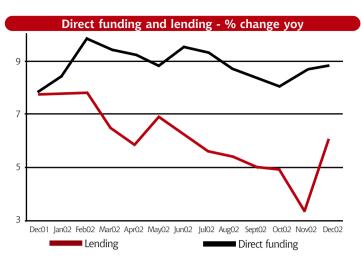
The funds of individuals and non-financial companies under the administration of Italian banks were roughly 5 percent higher at the end of the year, with much of the increase attributable to the strong demand for bonds and government securities.

Funds under management (mutual investment funds, individual portfolios, and bancassurance) showed signs of recovery, with net new investment totaling EUR 12.3 billion versus EUR 3.6 billion in 2001. The growth was driven by the strong performance of life insurance products, and by the shift of funding to liquid instruments in the mutual fund market. Total funds under management instead experienced a decline of abt. 3 percent for the year.

Net redemptions from mutual investment funds came to around EUR 7 billion, while the net assets of the funds decreased by 9.3 percent, including the financial assets of individuals. Among the various fund categories, the greatest amount of redemptions were recorded by bond funds (EUR 18.4 billion), while the outflows were more limited in the case of equity funds (EUR 9.7 billion) and balanced funds (EUR 11.9 billion). Liquid funds, instead, attracted nearly EUR 30 billion of new capital. In terms of distribution channels, financial advisor networks managed to generate positive results, (more than EUR 2 billion), most of which coming from liquid funds. The market share of almost all leading bank groups decreased in 2002. The MPS Group's quota of total assets under management remained above 4 percent.

In the bancassurance business, premiums rose once again in 2002, with the total funds sourced (including through the post office) rising to more than EUR 32 billion and growing by 20 percent in comparison with 2001. The positive performance is mainly due to an 80-percent increase in the sales of both unit-linked and traditional policies providing a





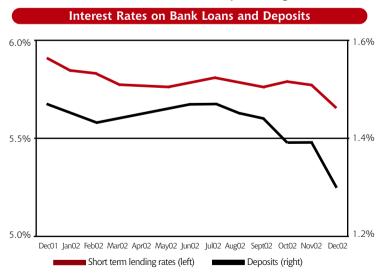
guaranteed return, products which meet investor needs for safety and the coverage of risk. Volumes of indexlinked policies fell by a slight 5 percent, while sales of unit-linked policies without a guaranteed return were down by roughly 50 percent. The MPS Group strengthened its position in this business, capturing more than 13 percent of aggregate premiums in 2002 versus 11.55 percent of the previous year.

The balance of assets in individual portfolios under management by Italian banks was more than 10 percent lower year on year, with the MPS Group's market share in this segment totaling 6.4 percent as of year end.

The weak economy had the effect of slowing bank lending activity in 2002. While the average annual growth of loans decreased from 11.1 percent in 2001 to 5.9 percent in 2002, the rate of growth in the Italian banking industry surpassed the increase of less than 5 percent in the European Union as a whole. The slowdown mainly affected the short-term segment, where outstandings were 1.3 percent higher on average for the year in comparison with the 12.4 percent growth posted in 2001; a comparison of the second half of the year shows a year-on-year decrease with respect to 2001.

Considering the maintenance of low lending rates and the high demand for home mortgages, medium-/long-term loans grew by more than 10 percent. Bank credit in this segment also benefited from conditions in the risk- and debt-capital markets that were unfavorable to funding and from several major debt-restructuring transactions carried out by large companies. Within the MPS Group, the rate of loan growth was above the industry average, with market share climbing to 6.3 percent at year end.

After remaining virtually stable in the first half, gross non-performing loans of the system rose by almost EUR 1 billion in the final six months of the year, for an annual increase of 2.1 percent. In terms of sectors, the growth was mainly concentrated with non-financial companies (3 percent) and family-owned businesses (4.7 percent). The balances of net non-performing loans instead remained on par with the levels recorded as of December



2001, and thus the ratio of net non-performing loans to total loans decreased to 2.11 percent from 2.24 percent at the end of 2001. New loans classified as non-performing (a significant indicator of the risk of a deterioration in the credit quality of the banking system) totaled around EUR 3.5 billion for the first three quarters, with an increase of roughly 12 percent on an annual basis.

The decrease of bank interest rates was mainly concentrated at the beginning and the end of the year. On average, the decreases in lending rates exceeded those on rates applied to liabilities. In comparison with the end of 2001, the average rates on short-term loans

had fallen by roughly 25 basis points by the end of 2002, while the comparable decline for medium-/long-term loans was more than 50 basis points. Instead, average rates on deposits fell by 17 basis points, whereas on bonds, the rates were some 38 basis points lower. The markdown calculated with respect to one-month EURIBOR was squeezed further, hovering around 1.71 percentage points at year end. This translated into another reduction of the cost/opportunity for holding bank deposits. The markup instead rose from 2.56 to 2.65 percentage points.

As a result of these dynamics, the average annual spread (short-term lending rate less the rate paid on deposits) decreased from 4.57 percent to 4.34 percent; including medium-/long-term loans and bonds, the decrease was slightly more pronounced, with the shift from 3.46 percent to 3.21 percent.

At BMPS, the interest rates remained above the industry averages, in the case of both short-term loans and deposits. At 5.03 percentage points, the average annual spread was thus significantly higher.

Given market conditions in 2002, banks were unable to offset decreases in commission income with higher income from traditional deposit-taking and lending activity, partly due to the reduction of unitary spreads. Considering the weak economy in Italy and the financial problems of several large industrial companies in Italy and in Latin America, the levels of provisions and valuation adjustments remained high at an industry level. Thus, despite ongoing efforts to control operating costs, the Italian banking industry recorded its second consecutive year without an increase in net earnings or ROE.



## ■ REGULATORY ISSUES

Leading the list of regulatory issues affecting Italian banks in 2002 was legislation providing incentives for the repatriation of capital from abroad ("tax shield"). This legislation, which attracted more than EUR 59 billion of funding from abroad, is to be applied anew, with several adjustments, in the first half of 2003. The industry also witnessed legal proceedings with regard to the proposed amendment of several aspects of the laws regarding banking foundations which define the concept of joint control of a bank by two or more foundations and allow for the divestiture of the controlling interests, including through asset management companies. The Regional Administrative Court of Latium suspended Article 7 (controlling interests in banks) and Article 9 (timing for adjustments to By-laws) of the amendment, and referred the matter to the Constitutional Court for an analysis of the legitimacy of the provisions. Finally, following a decision of the European Union antitrust authorities, Italian banks were obligated by the Italian Government to reimburse the value of tax benefits accrued upon merger and restructuring transactions carried out pursuant to Italian Law 153/95; in total, such benefits amounted to around EUR 1 billion.

Considering a market very sensitive to issues of transparency and corporate governance, several regulatory changes were also made in these areas. The Self-Discipline Code for Quoted Companies ("Preda Code") was modified, and as of the start of 2003, directors of publicly traded companies will be required to disclose transactions above a pre-established amount involving the shares of the companies on whose boards they serve (insider dealing). The application of the new company law approved at the outset of 2003 has been deferred to 2004. The new law incorporates changes to joint-stock companies, introducing, for example, the concept of a single-member company and allowing, for instance, the allocation of a quota of equity to an individual transaction; the new law also provides for three separate forms of corporate governance. Other parts of the reform involve further distinctions between limited liability companies and joint-stock companies, and significant changes in the law applicable to groups of companies (with the introduction of the responsibility of the parent company, with respect to shareholders and creditors of the subsidiary companies, for the correct management of the company), shareholder agreements (the maximum term of which has been set at five years) and cooperative companies (whose tax benefits have been limited to the prevailing mutual assistance).

Several amendments were introduced to the drafts of new regulations covering bank capital ratios (Basle Accord). The changes include the reduction of capital absorbed in relation to loans to small- and medium-sized firms, the introduction of flexible systems for provisions to cover operating risk, and a new approach to retail credit, with particular reference to credit cards.

Within the European Union, a directive approved on market abuses has harmonized regulations on insider trading and the manipulation of stocks, while another directive addresses coordinate supervision over financial conglomerates. The drafting of regulations contemplating a standard specimen for information prospectuses also reached an advanced stage in 2002.

# CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002

## RECLASSIFIED BALANCE SHEET AND RECLASSIFIED PROFIT AND LOSS STATEMENT

Several changes were made to the area of consolidation in the final quarter of 2002, and principally resulted from the sale of the controlling interest in Cassa di Risparmio di Prato and an interest held in Cassa di Risparmio di San Miniato. Accordingly, the consolidated earnings and financial position reported as of the end of the year do not include such investments. In order to facilitate a comparison of the financial statement data for the two years, the 2001 results have been restated (as further detailed in the notes to the financial statements), with the deconsolidation of the amounts relative to the shareholdings sold. In addition, compared with the profit and loss statement reported in the notes to the financial statements, the reclassified profit and loss statement includes the 2001 figures of the tax collection company, S.O.R.I.T, whose controlling interest was acquired by the parent company in the final quarter of 2002.

In order to facilitate the analysis of consolidated operations and earnings, certain balancesheet and profit-and-loss accounts were reclassified in order to provide the same basis for an annual comparison:

- Earnings relative to equity-swap transactions have been eliminated from "dividends and other income" (Account 30) and reclassified as "profits and losses from financial transactions". The "costs of funding the equity-swap transactions have been eliminated from interest expense and other expense on borrowed funds" (Account 20) and reclassified as "profits and losses from financial transactions":
- "Commissions earned" (Account 40), "commissions expense" (Account 50), "other operating income" (Account 70) and "other operating expense" (Account 110) have been aggregated, and are reported as "net income from services". Earnings and losses relative to trading of securities for the account of customers have been netted out of "profits and losses from financial transactions" (Account 60), and are reported as part of net income from services;
- The provision to write down the investment in Banca Nazionale del Lavoro has been eliminated from "adjustments to the valuation of non-current financial assets" (Account 150) and reclassified in extraordinary income (charges).



## MPS GROUP

## ■ RECLASSIFIED CONSOLIDATED BALANCE SHEET (in EUR mn)

ASSETS	31/12/02	31/12/01		
		restated	Change	% Change
Cash and cash on deposit with central banks and post offices	834	681	153	22.4
Loans :				
a) Customer loans and advances	68,472	63,038	5,434	8.6
b) Amounts due from banks	16,027	13,880	2,147	15.5
Trading Account Securities	12,458	11,181	1,277	11.4
Non-current assets				
a) Investment securities	4,453	4,310	142	3.3
b) Equity investments	2,189	2,919	-730	-25.0
c) Fixed assets and intangible assets	2,570	2,532	38	1.5
Positive consolidation differences & positive net equity differences	871	843	27	3,3
Own shares or quotas	10	19	-8	-44.1
Other assets	21,000	15,087	5,913	39.2
Total Assets	128,883	114,491	14,392	12.6
LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/02	31/12/01		
	5 1, 1 = , 5 =	restated	Change	% Change
Liabilities				
a) Customer deposits and borrowed funds backed by negotiable ins		73,801	3,453	4.7
b) Due to banks	20,516	15,106	5,410	35.8
Reserves for specific use				
a) Staff severance indemnity reserve	434	424	10	2.4
b) Pension funds	397	389	8	2.0
c) Other reserves for risks and charges	617	582	35	5.9
d) Reserve for taxes	746	843	-96	-11.5
Other liabilities	18,930	13,291	5,639	42.4
Reserve for loan losses	355	300	55	18.2
Subordinated debt	3,276	3,045	231	7.6
Minority interests	808	942	-134	-14.3
Shareholders' equity				
a) Share capital	1,675	1,356	319	23.5
b) Additional paid-in capital	523	523	0	0.0
c) Reserve for general banking risks	361	445	-84	-19.0
d) Negative consolidation and net equity differences	23	22	1	3.8
e) Reserves and profits to be carried forward	2,387	2,802	-415	-14.8
f) Profit (loss) for the year	582	619	-37	-6.0
Total Liabilities and Shareholders' Equity	128,883	114,491	14,392	12.6

## MPS GROUP

## ■ RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT (in EUR mn)

	31/12/02	31/12/01		
		restated	Change	% Change
Interest margin	2,346.6	2,201.1	145.6	6.6
Profit (loss) on financial transactions	140.1	379.2	-239.1	-63.1
Net income from services	1,956.1	2,065.3	-109.2	-5.3
Dividends and tax credits	272.2	303.3	-31.2	-10.3
Profits of companies valued with net equity method	36.3	55.0	-18.8	-34.1
Service margin	2,404.6	2,802.9	-398.3	-14.2
Total banking income	4,751.2	5,003.9	-252.7	-5.1
Total banking income excluding profits (losses) from financial transactions	4,611.2	4,624.8	-13.6	-0.3
Administrative expenses				
- personnel expense	-1,781.0	-1,711.2	69.8	4.1
- other expenses	-1,127.5	-1,116.0	11.5	1.0
Total administrative expenses	-2,908.5	-2,827.2	81.3	2.9
Gross operating profit	1,842.8	2,176.7	-334.0	-15.3
Gross operating profit excluding profits (losses) from financial transactions	1,702.7	1,797.5	-94.8	-5.3
Valuation adjustments to fixed and intangible assets	-406.2	-282.5	123.7	43.8
Amortization of positive consolidation				
and positive net equity differences	-88.5	-82.5	6.0	7.2
Provisions for risks and charges	-42.4	-75.2	32.8	-43.6
Valuation adjustments to loans, net	-438.0	-321.9	-116.0	36.0
Provisions to loan loss reserve	-90.0	-57.1	-32.9	57.7
Writedowns to non-current financial assets	-27.6	-21.6	-6.0	n.m.
Profit from ordinary operations	750.1	1,335.9	-585.8	-43.9
Extraordinary income (charges)	53.3	-11.9	65.2	n.m.
Change in reserve for general banking risks	85.0	-5.4	90.4	n.m.
Income taxes	-216.6	-604.9	388.3	-64.2
Profit for the year before minority interests	671.9	713.8	-41.9	-5.9
Minority interests	-90.0	-94.9	4.9	-5.2
Net profit for the year	581.8	618.8	-37.0	-6.0



MPS GROUP

## ■ QUARTERLY PROFIT AND LOSS STATEMENT (reclassified)

	2002 - restatement of cumulative totals (*)			2001 - restatement of quarterly totals (*)				
	12 mos	9 mos	6 mos	3 mos	4th	3rd	2nd	1st
	31/12/02	30/09/02	30/06/02	31/03/02	Quarter	Quarter	Quarter	Quarter
Interest margin	2,346.6	1,722.3	1,143.8	581.2	624.4	578.5	562.6	581.2
Profit (loss) from financial transactions	140.1	3.4	37.9	99.2	136.7	-34.5	-61.3	99.2
Net income from services	1,956.1	1,425.8	1,034.9	512.8	530.3	390.9	522.1	512.8
Dividends and tax credits	272.2	255.9	258.0	12.5	16.3	-2.1	245.5	12.5
Earnings of companies valued with net equity method	36.3	20.4	11.8	9.7	15.8	8.6	2.2	9.7
Services margin	2,404.6	1,705.5	1,342.6	634.1	699.1	362.8	708.5	634.1
Total banking income	4,751.2	3,427.8	2,486.4	1,215.3	1,323.5	941.3	1,271.1	1,215.3
Total banking income								
excluding profit (loss)								
from financial transactions	4,611.2	3,424.4	2,448.6	1,116.2	1,186.8	975.8	1,332.4	1,116.2
Administrative expenses								
- personnel expenses	-1,781.0	-1,316.6	-884.1	-432.1	-464.4	-432.5	-452.0	-432.1
- other expenses	-1,127.5	-821.1	-540.8	-265.5	-306.4	-280.4	-275.3	-265.5
Total administrative expenses	-2,908.5	-2,137.8	-1,424.9	-697.6	-770.7	-712.9	-727.3	-697.6
Gross operating profit	1,842.8	1,290.0	1,061.5	517.7	552.8	228.4	543.8	517.7
Gross operating profit								
excluding profit (loss)								
from financial transactions	1,702.7	1,286.6	1,023.7	418.6	416.1	262.9	605.1	418.6
Valuation adjustments to intangible								
and fixed assets	-406.2	-249.3	-157.7	-73.7	-156.9	-91.6	-84.1	-73.7
Amortization of positive consolidation								
and positive net equity differences	-88.5	-63.9	-42.6	-20.6	-24.6	-21.3	-22.0	-20.6
Provisions for risks and charges	-42.4	-26.9	-17.7	-1.3	-15.5	-9.2	-16.4	-1.3
Adjustments to value of credits, net	-438.0	-255.2	-163.0	-58.0	-182.8	-92.2	-105.0	-58.0
Provision to loan loss reserve	-90.0	-21.6	-15.3	-11.0	-68.4	-6.4	-4.2	-11.0
Valuation adjustments to								
non-current financial assets	-27.6	-19.0	-16.3	-8.7	-8.6	-2.7	-7.6	-8.7
Profit from ordinary operations	750.1	654.0	649.0	344.4	96.1	5.1	304.5	344.5
Extraordinary income (charges), net	53.3	46.3	25.1	9.5	7.1	21.2	15.6	9.5
Change in reserve for general banking risks	85.0	0.0	0.0	0.0	85.0	0.0	0.0	0.0
Income taxes	-216.6	-321.9	-314.9	-166.1	105.3	-6.9	-148.8	-166.1
Profit before minority interests	671.9	378.4	359.1	187.8	293.4	19.4	171.3	187.8
Minority interests	-90.0	-67.7	-52.7	-31.7	-22.4	-15.0	-21.0	-31.7
Net profit for the period	581.8	310.8	306.4	156.1	271.1	4.4	150.3	156.1

<sup>(\*)</sup> The data for the first three quarters of 2002 have been restated to exclude the figures for Cassa di Risparmio di Prato and for Cassa di Risparmio di San Miniato, both of which were sold in the fourth quarter

## MPS GROUP

## ■ KEY DATA AND RATIO ANALYSIS

	31/12/02	31/12/01 restated	% Change
PROFIT AND LOSS AGGREGATES (in EUR mn)			
Profit and loss aggregates		(restated)	
Total banking income	4,751.2	5,003.9	-5.1
Total banking income excluding profits (losses) from financial transactions	4,611.2	4,624.8	-0.3
Gross operating profit	1,842.8	2,176.7	-15.3
Gross operating profit excluding profits (losses) from financial transactions	1,702.7	1,797.5	-5.3
Net profit	581.8	618.8	-6.0
Net profit excluding amortization of positive consolidation			
and positive net equity differences	670.3	701.4	-4.4
BALANCE SHEET AGGREGATES (in EUR mn)			
Total funding	172,505	168,498	2.4
Direct funding including subordinated debentures	80,531	76,846	4.8
Indirect funding	91,974	91,652	0.4
including: Funds under management	37,035	38,328	-3.4
including: Funds under administration	54,939	53,324	3.0
Customer loans and advances	68,472	63,038	8.6
Consolidated shareholders' equity	5,550	5,767	-3.8
CREDIT QUALITY INDICATORS (%)	31/12/02	31/12/01	
Net non-performing loans / total customer loans and advances	1.5	1.2	
Net watchlist credits/total customer loans and advances	1.7	1.5	
PROFITABILITY RATIOS	31/12/02	31/12/01	
Service margin / total banking income (%)	50.6	56.0	
Cost/income ratio (%) (excl.depreciation and amortization)	61.2	56.5	
Cost/income ratio inclusive of depreciation and amortization (%)	69.8	62.1	
Cost/income ratio inclusive of depreciation and amortization (%) (*)	67.6	59.9	
Adjusted ROE	14.3	15.8	
R.O.E. (%) (**)	12.1	13.4	
<ul><li>(*) excluding tax collection units</li><li>(**) The computation is based on shareholders' equity net of revaluation of properti revaluation reserve as a result of the sale of an investment in SanPaolo-IMI</li></ul>	ies effected as of 31/12/	00, and taking into account	the decrease of the
• SOLVENCY RATIOS (%)	31/12/02	31/12/01	
Solvency coefficient	8.79	8.53	
Tier 1 ratio	6.05	5.77	
SHARE DATA	31/12/02	31/12/01	
Number of ordinary shares outstanding	2,607,791,591	2,598,557,169	
Number of savings shares outstanding	9,432,170	9,432,170	
Ordinary share price over the year:			
- average	2.87	3.52	
- low		1.73	2.41
- high	3.88	4.72	
OPERATING STRUCTURE (*)	31/12/01	31/12/00	Absolute change
Number of employees (banking personnel)	24,872	24,953	-81
Number of employees (total)	27,517	27,632	-115
Number of Italian branches (**)	1,827	1,787	40
Number of foreign branches and foreign representative offices	37	43	-6
Number of customers with online connections to the Group banks	1,203,083	964,952	238,131

<sup>(\*)</sup> restated figures as of 31/12/2001.

<sup>(\*\*)</sup> data inclusive of the special units operated by MPS Merchant and MPS Banca Verde.



## **OVERVIEW OF OPERATIONS**

The uncertainty manifested in the final months of 2001 regarding the slowdown of the economy, the significant setbacks of the stock markets, and the growing geopolitical tensions are elements which played a dominant role in 2002, thereby prompting further deterioration of consumer and business confidence. Throughout the year, customers at large showed increasing hesitation in putting funds into investments with even the slightest bit of uncertainty about returns. In the second half of the year, the highly critical indications coming from the business world, the renewed turbulence in the stock markets and a significant decline in interest rates across all maturities had a further adverse impact on banking commissions and the magnitude of spreads. Operating against this backdrop, the MPS Group moved ahead with important restructuring initiatives in line with the strategies spelled out in the Business Plan: significant changes were made in the sales and marketing activity, with the process of specialization and the resulting modifications in the service models yielding important results; meanwhile, the production-distribution chain was streamlined further.

The MPS Group achieved appreciable operating and earnings results by blending an emphasis on expanding the customer portfolio with a focus on further curtailing operating expenses and capital absorption. The key developments in this regard include:

- the addition of roughly 110,000 new customers for the MPS Group and a 2.4percent increase in aggregate customer funding;
- a significant deceleration in the growth of other administrative expenses (+1.0 percent) in comparison with 2001 (+12.8 percent);
- the improvement of capital ratios, with the Tier 1 ratio rising to 6.05 percent;
- positive product-placement flows at a consolidated level, with the marketing effort concentrated on instruments with a high embedded value and on the ongoing and solid growth of the traditional components of total banking income (interest margin and routine banking commissions);

Following are comments on the MPS Group's principal results for 2002. Such results are the by-product of an increasing emphasis on a customer-centric approach (active management of relationships, services quality, and alignment of needs, products and distribution channels), and further segmentation of supply and personalization of service.

## ■ CAPITAL AGGREGATES

onsistent with the fundamental plans for the year, the MPS Group's marketing policy successfully combined the priority for developing customer relationships (appreciable growth of the embedded value at the root of the expansion of the customer portfolio and aggregate funding) with the implementation of important organizational and commercial initiatives (further information is provided in section I results by business area).

## **■** FUNDS MANAGEMENT

n the activity of funds management, the commercial networks of the MPS Group realized important results. By employing flexible planning techniques, the networks achieved solid placement volumes throughout the year, with the exception of the third quarter. Such volumes are detailed in the following table:

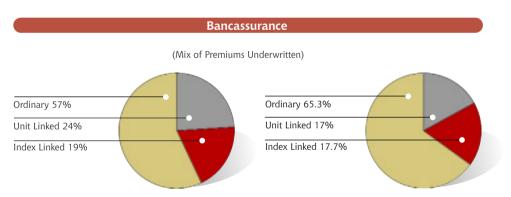
#### ■ Consolidated Product Placements (\*)

(in EUR mn)	31/12/02	31/12/01
Mutual investment funds / SICAVs	-1,006	739
Life policies (**) including:	4,288	3,104
Ordinary policies	2,446	2,027
Index-linked policies	829	549
Unit-linked policies	1,013	528
Innovative financial products	3,226	4,740

(\*) Including the volumes of Cassa di Risparmio di Prato and Cassa di Risparmio di San Miniato.

(\*\*) The total includes the amount placed through innovative financial products.

The insurance premiums underwritten of EUR 4,288 million incorporate an increase of around 40 percent with respect to the volumes recorded in 2001, and include EUR 4,078 million of direct placements. The weights of index-linked policies and unit-linked policies rose to 19 percent and 24 percent, respectively, of the total, while traditional products accounted for 57 percent of the total. The MPS Group's market share of policies placed through banks and post offices rose to 13.3 percent compared with 11.5 percent in 2001 (as based on preliminary data prepared by IAMA).



- Innovative financial products came to EUR 3,226 million, with short-term and guaranteed-capital instruments accounting for much of the volume;
- The net redemptions of mutual investment funds and SICAVs of EUR 1,006 million (including EUR 587 million from direct customers) were part of an overall market trend (EUR 6.6 billion at a system level). The MPS Group's market share stood at 4.1 percent based on the total stock of funds.

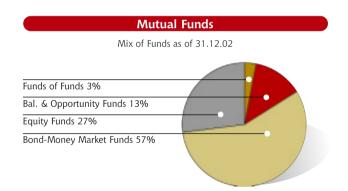


Given these dynamics, the balance of funds under management stood at EUR 37,035 million as of 31 December 2002, declining by 3.4 percent in comparison with the total at 31 December 2001, with most of the change due to the decrease in the prices of the assets. Following are comments on the performance of the individual segments:

#### ■ Mutual investment funds

As of the end of 2002, the total assets of the mutual investment funds managed by the MPS Group amounted to EUR 13,058 million, having declined by 15.8 percent in comparison with 2001. The decrease mainly reflects (i) the more pronounced negative performance of the stock markets in 2002 (with the Italian blue-chip index, the MIB30, losing 26 percent during the year) and (ii) the repositioning of customer assets to funds with a lower risk profile.

The graph below shows the overall mix of assets of the mutual investments funds placed by the MPS Group. The figures for 2002 serve to affirm the trend taking shape in 2001, with the investor preference going to bond and money-market funds to the detriment of equity and balanced/opportunity funds. Amounts in bond and money-market funds went from 47 percent of the total as of 31 December 2001 to 51 percent as of mid-2002, before rising to 57 percent as of the end of the year.



The table below provides a summary of the total mutual fund assets managed by MP Asset Management SGR (including the quotas placed in individual portfolios under management):

## MPS Group Mutual Investment Funds as of 31.12.2002

Assets Under Management by Individual Fund - Amounts in EUR mn

Ducato Geo Emerging Markets         139         2.8         Ducato Fix Kigh Potential         88         0.8           Ducato Geo America         554         11.1         Ducato Fix Convertible         14         0.1           Ducato Geo America Blue Chips         21         0.4         Ducato Fix Dollar         462         4.4           Ducato Geo America Growth         10         0.2         Ducato Fix Euro Short-Term         441         4.2           Ducato Geo America Small Caps         15         0.3         Ducato Fix Euro Short-Term         441         4.2           Ducato Geo America Small Caps         15         0.3         Ducato Fix Euro Medium-Term         2.01         19.1           Ducato Geo America Value         17         0.3         Ducato Fix Euro Medium-Term         2.01         19.1           Ducato Geo America Value         17         0.3         Ducato Fix Euro Medium-Term         2.01         19.1           Ducato Geo America Value         2.125         42.7         Ducato Fix Corporate         4         0.0           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Money Market         4.711         44.7           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Vield         341 </th <th>Fund</th> <th>Assets</th> <th>%</th> <th>Fund</th> <th>Assets</th> <th>%</th>	Fund	Assets	%	Fund	Assets	%
Ducato Geo America Blue Chips         21         0.4         Ducato Fix Dollar         462         4.4           Ducato Geo America Growth         10         0.2         Ducato Fix Euros Flort-Term         41         4.2           Ducato Geo Latin America         4         0.1         Ducato Fix Euro Short-Term         41         4.2           Ducato Geo America Small Caps         15         0.3         Ducato Fix Euro Short-Term         2.014         19.1           Ducato Geo America Value         17         0.3         Ducato Fix Euro TV         1.449         13.7           Ducato Geo Asia         147         2.9         Ducato Fix Corporate         4         0.0           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Corporate         4         0.0           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Money Market         4,711         44.7           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Yeled         341         3.2           Ducato Geo Europe Mule         22         0.4         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4         Total bond and money market funds 10,547         100.0	Ducato Geo Emerging Markets	139	2.8	Ducato Fix High Potential	88	0.8
Ducato Geo America Growth         10         0.2         Ducato Fix Emerging         220         2.1           Ducato Geo Latin America         4         0.1         Ducato Fix Euro Short-Term         441         4.2           Ducato Geo America Small Caps         15         0.3         Ducato Fix Euro Medium-Term         2.014         19.1           Ducato Geo America Value         17         0.3         Ducato Fix Euro TV         1.449         13.7           Ducato Geo Asia         147         2.9         Ducato Fix Clobal         463         4.4           Ducato Geo Europe         2.125         42.7         Ducato Fix Corporate         4         0.0           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Corporate         4         0.0           Ducato Geo Europe Bilue Chips         28         0.6         Ducato Fix Money Market         4,711         44.7           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Ven         7.1         0.7           Ducato Geo Europe Buc Chips         28         0.6         Ducato Fix Ven         7.1         0.7           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0 <td< td=""><td>Ducato Geo America</td><td>554</td><td>11.1</td><td>Ducato Fix Convertible</td><td>14</td><td>0.1</td></td<>	Ducato Geo America	554	11.1	Ducato Fix Convertible	14	0.1
Ducato Geo Latin America         4         0.1         Ducato Fix Euro Short-Term         441         4.2           Ducato Geo America Small Caps         15         0.3         Ducato Fix Euro Medium-Term         2,014         19.1           Ducato Geo America Value         17         0.3         Ducato Fix Euro TV         1,449         13.7           Ducato Geo America Value         17         2.9         Ducato Fix Clobal         463         4.4           Ducato Geo Europe         2.125         42.7         Ducato Fix Clobal         463         4.4           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Liquidity         271         2.6           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Woney Market         4,711         44.7           Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds         10,547         100.0           Ducato Geo Europe Value         22         0.4         10         40         40         40         40         40         40         40         40         40         40         40         40	Ducato Geo America Blue Chips	21	0.4	Ducato Fix Dollar	462	4.4
Ducato Geo America Small Caps         15         0.3         Ducato Fix Euro Medium-Term         2,014         19,1           Ducato Geo America Value         17         0.3         Ducato Fix Euro TV         1,449         13.7           Ducato Geo Asia         147         2.9         Ducato Fix Global         463         4.4           Ducato Geo Europe         2,125         42.7         Ducato Fix Corporate         4         0.0           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Corporate         4         0.0           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Money Market         4,711         44.7           Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds         10,547         10.0           Ducato Geo Europe Value         22         0.4         10	Ducato Geo America Growth	10	0.2	Ducato Fix Emerging	220	2.1
Ducato Geo America Value         17         0.3         Ducato Fix Euro TV         1.449         13.7           Ducato Geo Asia         147         2.9         Ducato Fix Global         463         4.4           Ducato Geo Europe         2,125         42.7         Ducato Fix Corporate         4         0.0           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Liquidity         271         2.6           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Money Market         4,711         44.7           Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Eastern Europe         7         0.1         Ducato Fix Yien         71         0.7           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4         Total bond and money market funds 10,547         100.0           Ducato Geo Global Small Caps         30         0.6         Ducato Mix 50         875         36.7           Ducato Geo Global Growth </td <td>Ducato Geo Latin America</td> <td>4</td> <td>0.1</td> <td>Ducato Fix Euro Short-Term</td> <td>441</td> <td>4.2</td>	Ducato Geo Latin America	4	0.1	Ducato Fix Euro Short-Term	441	4.2
Ducato Geo Asia         147         2.9         Ducato Fix Global         463         4.4           Ducato Geo Europe         2.125         42.7         Ducato Fix Corporate         4         0.0           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Liquidity         271         2.6           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Money Market         4.711         44.7           Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         10.7           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Jobal Small Caps         30         6.1         Ducato Mix 25         718         30.2           Ducato Geo Global Growth         12         0.2         Ducato Mix 25         718         30.2           Ducato Geo Global Small Caps         30         0.6         Ducato Flex 30         67         2.8           Ducato Geo Global Small	Ducato Geo America Small Caps	15	0.3	Ducato Fix Euro Medium-Term	2,014	19.1
Ducato Geo Europe         2,125         42.7         Ducato Fix Corporate         4         0.0           Ducato Geo Europe High Potential         57         1.1         Ducato Fix Liquidity         271         2.6           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Money Market         4,711         44.7           Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4         Total bond and money market funds 10,547         100.0           Ducato Geo Japan         277         5.6         Ducato Mix 25         718         30.2           Ducato Geo Global Growth         12         0.2         Ducato Mix 50         87.5         36.7           Ducato Geo Global Growth         12         0.2         Ducato Mix 75         336         14.1           Ducato Geo Global Small Caps         30         0.6         Ducato Flex 60         36         1.5           Ducato Geo Global Small Caps <td>Ducato Geo America Value</td> <td>17</td> <td>0.3</td> <td>Ducato Fix Euro TV</td> <td>1,449</td> <td>13.7</td>	Ducato Geo America Value	17	0.3	Ducato Fix Euro TV	1,449	13.7
Ducato Geo Europe High Potential         57         1.1         Ducato Fix Liquidity         271         2.6           Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Money Market         4,711         44.7           Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4         10.0 <td>Ducato Geo Asia</td> <td>147</td> <td>2.9</td> <td>Ducato Fix Global</td> <td>463</td> <td>4.4</td>	Ducato Geo Asia	147	2.9	Ducato Fix Global	463	4.4
Ducato Geo Europe Blue Chips         28         0.6         Ducato Fix Money Market         4.711         44.7           Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Eastern Europe         7         0.1         Ducato Fix Yen         71         0.7           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4         ************************************	Ducato Geo Europe	2,125	42.7	Ducato Fix Corporate	4	0.0
Ducato Geo Europe Growth         14         0.3         Ducato Fix Yield         341         3.2           Ducato Geo Eastern Europe         7         0.1         Ducato Fix Yen         71         0.7           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4              Ducato Geo Japan         277         5.6         Ducato Mix 25         718         30.2           Ducato Geo Global         306         6.1         Ducato Mix 50         875         36.7           Ducato Geo Global Growth         12         0.2         Ducato Mix 75         336         14.1           Ducato Geo Global Selection         143         2.9         Ducato Flex 30         67         2.8           Ducato Geo Global Samall Caps         30         0.6         Ducato Flex 60         36         1.5           Ducato Geo Global Value         13         0.3         Ducato Flex 100         340         14.3           Ducato Geo Italy         599         12.0         Ducato Etico Civita         10         0.4           Ducato Set Consumer A         18         0.4         18	Ducato Geo Europe High Potential	57	1.1	Ducato Fix Liquidity	271	2.6
Ducato Geo Eastern Europe         7         0.1         Ducato Fix Yen         71         0.7           Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4             Ducato Geo Japan         277         5.6         Ducato Mix 25         718         30.2           Ducato Geo Global         306         6.1         Ducato Mix 50         875         36.7           Ducato Geo Global Growth         12         0.2         Ducato Mix 75         336         14.1           Ducato Geo Global Selection         143         2.9         Ducato Flex 30         67         2.8           Ducato Geo Global Small Caps         30         0.6         Ducato Flex 60         36         1.5           Ducato Geo Global Value         13         0.3         Ducato Flex 100         340         14.3           Ducato Geo Italy         599         12.0         Ducato Etico Civita         10         0.4           Ducato Set Consumer A         18         0.4         10         0.4         4.5           Ducato Set Energy         3         0.1         Portfolio Capital Plus         24 <td< td=""><td>Ducato Geo Europe Blue Chips</td><td>28</td><td>0.6</td><td>Ducato Fix Money Market</td><td>4,711</td><td>44.7</td></td<>	Ducato Geo Europe Blue Chips	28	0.6	Ducato Fix Money Market	4,711	44.7
Ducato Geo Europe Small Caps         8         0.2         Total bond and money market funds 10,547         100.0           Ducato Geo Europe Value         22         0.4	Ducato Geo Europe Growth	14	0.3	Ducato Fix Yield	341	3.2
Ducato Geo Europe Value         22         0.4           Ducato Geo Japan         277         5.6         Ducato Mix 25         718         30.2           Ducato Geo Global         306         6.1         Ducato Mix 50         875         36.7           Ducato Geo Global Growth         12         0.2         Ducato Mix 75         336         14.1           Ducato Geo Global Selection         143         2.9         Ducato Flex 30         67         2.8           Ducato Geo Global Small Caps         30         0.6         Ducato Flex 60         36         1.5           Ducato Geo Global Value         13         0.3         Ducato Flex 100         340         14.3           Ducato Geo Trend         186         3.7         Total balanced and opportunity funds 2.382         100.0           Ducato Set Consumer A         18         0.4         18         0.4           Ducato Set Energy         3         0.1         Portfolio Capital Plus         24         4.5           Ducato Set Pharmaceuticals         13         0.3         Portfolio Capital Plus         24         4.5           Ducato Set Finance         56         1.1         Portfolio Equity 30         79         15.1           Ducato Set Finance<	Ducato Geo Eastern Europe	7	0.1	Ducato Fix Yen	71	0.7
Ducato Geo Japan         277         5.6         Ducato Mix 25         718         30.2           Ducato Geo Global         306         6.1         Ducato Mix 50         875         36.7           Ducato Geo Global Growth         12         0.2         Ducato Mix 75         336         14.1           Ducato Geo Global Selection         143         2.9         Ducato Flex 30         67         2.8           Ducato Geo Global Small Caps         30         0.6         Ducato Flex 60         36         1.5           Ducato Geo Global Value         13         0.3         Ducato Flex 100         340         14.3           Ducato Geo Italy         599         12.0         Ducato Etico Civita         10         0.4           Ducato Geo Trend         186         3.7         Total balanced and opportunity funds 2.382         100.0           Ducato Set Consumer A         18         0.4         Total balanced and opportunity funds 2.382         100.0           Ducato Set Consumer B         15         0.3         Portfolio Capital Plus         24         4.5           Ducato Set Energy         3         0.1         Portfolio Commodity         5         1.0           Ducato Set Finance         56         1.1         Portfolio E	Ducato Geo Europe Small Caps	8	0.2	Total bond and money market fund	ds 10,547	100.0
Ducato Geo Global         306         6.1         Ducato Mix 50         875         36.7           Ducato Geo Global Growth         12         0.2         Ducato Mix 75         336         14.1           Ducato Geo Global Selection         143         2.9         Ducato Flex 30         67         2.8           Ducato Geo Global Small Caps         30         0.6         Ducato Flex 60         36         1.5           Ducato Geo Global Value         13         0.3         Ducato Flex 100         340         14.3           Ducato Geo Italy         599         12.0         Ducato Etico Civita         10         0.4           Ducato Geo Trend         186         3.7         Total balanced and opportunity funds 2.382         100.0           Ducato Set Consumer A         18         0.4         Total balanced and opportunity funds 2.382         100.0           Ducato Set Consumer B         15         0.3         Portfolio Capital Plus         24         4.5           Ducato Set Energy         3         0.1         Portfolio Commodity         5         1.0           Ducato Set Pharmaceuticals         13         0.3         Portfolio Equity 30         79         15.1           Ducato Set Finance         56         1.1         <	Ducato Geo Europe Value	22	0.4			
Ducato Geo Global Growth         12         0.2         Ducato Mix 75         336         14.1           Ducato Geo Global Selection         143         2.9         Ducato Flex 30         67         2.8           Ducato Geo Global Small Caps         30         0.6         Ducato Flex 60         36         1.5           Ducato Geo Global Value         13         0.3         Ducato Flex 100         340         14.3           Ducato Geo Italy         599         12.0         Ducato Etico Civita         10         0.4           Ducato Geo Trend         186         3.7         Total balanced and opportunity funds 2.382         100.0           Ducato Set Consumer A         18         0.4         Total balanced and opportunity funds 2.382         100.0           Ducato Set Consumer B         15         0.3         Portfolio Capital Plus         24         4.5           Ducato Set Energy         3         0.1         Portfolio Commodity         5         1.0           Ducato Set Pharmaceuticals         13         0.3         Portfolio Equity 30         79         15.1           Ducato Set Property         40         0.8         Portfolio Equity 70         26         4.9           Ducato Set Industry         15         0.3	Ducato Geo Japan	277	5.6	Ducato Mix 25	718	30.2
Ducato Geo Global Selection1432.9Ducato Flex 30672.8Ducato Geo Global Small Caps300.6Ducato Flex 60361.5Ducato Geo Global Value130.3Ducato Flex 10034014.3Ducato Geo Italy59912.0Ducato Etico Civita100.4Ducato Geo Trend1863.7Total balanced and opportunity funds 2.382100.0Ducato Set Consumer A180.4Ducato Set Consumer B150.3Portfolio Capital Plus244.5Ducato Set Energy30.1Portfolio Commodity51.0Ducato Set Pharmaceuticals130.3Portfolio Equity 307915.1Ducato Set Finance561.1Portfolio Equity 50479.0Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Geo Global	306	6.1	Ducato Mix 50	875	36.7
Ducato Geo Global Small Caps300.6Ducato Flex 60361.5Ducato Geo Global Value130.3Ducato Flex 10034014.3Ducato Geo Italy59912.0Ducato Etico Civita100.4Ducato Geo Trend1863.7Total balanced and opportunity funds 2.382100.0Ducato Set Consumer A180.4Ducato Set Energy30.1Portfolio Capital Plus244.5Ducato Set Energy30.1Portfolio Commodity51.0Ducato Set Pharmaceuticals130.3Portfolio Equity 307915.1Ducato Set Finance561.1Portfolio Equity 50479.0Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Geo Global Growth	12	0.2	Ducato Mix 75	336	14.1
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Ducato Geo Italy59912.0Ducato Etico Civita100.4Ducato Geo Trend1863.7Total balanced and opportunity funds 2.382100.0Ducato Set Consumer A180.4Ducato Set Consumer B150.3Portfolio Capital Plus244.5Ducato Set Energy30.1Portfolio Commodity51.0Ducato Set Pharmaceuticals130.3Portfolio Equity 307915.1Ducato Set Finance561.1Portfolio Equity 50479.0Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Geo Global Small Caps	30	0.6	Ducato Flex 60	36	1.5
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Ducato Set Consumer B150.3Portfolio Capital Plus244.5Ducato Set Energy30.1Portfolio Commodity51.0Ducato Set Pharmaceuticals130.3Portfolio Equity 307915.1Ducato Set Finance561.1Portfolio Equity 50479.0Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Geo Trend	186	3.7	Total balanced and opportunity fur	ıds 2.382	100.0
Ducato Set Energy30.1Portfolio Commodity51.0Ducato Set Pharmaceuticals130.3Portfolio Equity 307915.1Ducato Set Finance561.1Portfolio Equity 50479.0Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Consumer A	18	0.4			
Ducato Set Pharmaceuticals130.3Portfolio Equity 307915.1Ducato Set Finance561.1Portfolio Equity 50479.0Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Consumer B	15	0.3	Portfolio Capital Plus	24	4.5
Ducato Set Finance561.1Portfolio Equity 50479.0Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Energy	3	0.1	Portfolio Commodity	5	1.0
Ducato Set Property400.8Portfolio Equity 70264.9Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Pharmaceuticals	13	0.3	Portfolio Equity 30	79	15.1
Ducato Set Industry150.3Portfolio Global Bond10820.7Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Finance	56	1.1	Portfolio Equity 50	47	9.0
Ducato Set Commodities80.2Portfolio Global Equity11321.6Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Property	40	0.8	Portfolio Equity 70	26	4.9
Ducato Set Services60.1Portfolio High Tech122.2Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Industry	15	0.3	Portfolio Global Bond	108	20.7
Ducato Set Technology450.9Portfolio Mega Trends254.7Ducato Set Telecommunications70.1Portfolio Small Caps61.2Ducato Global Ethic190.4Portfolio Strategy8015.2	Ducato Set Commodities	8	0.2	Portfolio Global Equity	113	21.6
Ducato Set Telecommunications 7 0.1 Portfolio Small Caps 6 1.2 Ducato Global Ethic 19 0.4 Portfolio Strategy 80 15.2	Ducato Set Services	6	0.1	Portfolio High Tech	12	2.2
Ducato Global Ethic 19 0.4 Portfolio Strategy 80 15.2	Ducato Set Technology	45	0.9	Portfolio Mega Trends	25	4.7
3,	Ducato Set Telecommunications	7	0.1	Portfolio Small Caps	6	1.2
Total equity funds 4,980 100.0 Total funds of funds 525 100.0	Ducato Global Ethic	19	0.4	Portfolio Strategy	80	15.2
	Total equity funds	4,980	100.0	Total funds of funds	525	100.0

#### ■ Individual portfolios under management

The balance of EUR 11,151 million as of 31 December 2002 reflects a 12.5 percent decrease for the year, but incorporates a favorable performance in the second half which put the year-end total back at the level reported in June.

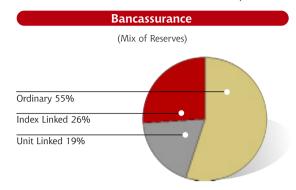
18,433

**TOTAL** 



#### ■ Bancassurance

The technical reserves of the life policies totaled EUR 12,641 million, rising by a significant 27.2 percent for the year. Traditional policies made a strong contribution, partly due to the



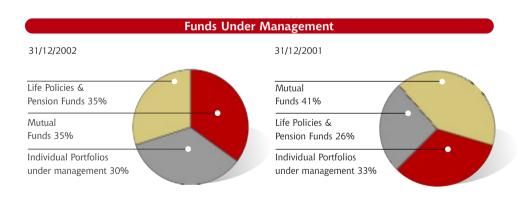
wide range of products available and partly to the overall customer preference for lower risk investments; as of year end, traditional policies accounted for 55 percent of total reserves.

#### Pension funds

Closing the year with a balance of EUR 185 million, pension funds still represent only a limited portion of total volumes, though the business is steadily growing. The future potential of this segment is mainly expressed by the number of participants.

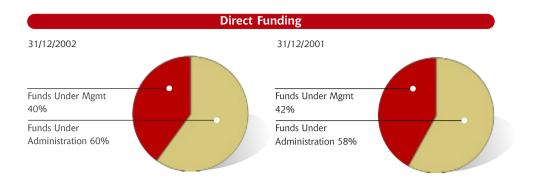
The MPS Group currently services accounts for more than 62,000 participants, which represents market share around 17 percent.

Given the developments set forth above, the weight of life policies and pension funds to total funds under management expanded by roughly nine percentage points in comparison with the end of 2001, and by three points in comparison with mid-2002.



Though also suffering from the negative performance of the stock markets, total funds under administration expanded by 3.0 percent to EUR 54,939 million, with the growth mainly attributable to significant placements of innovative financial products.

Considering these dynamics, the MPS Group's indirect funding remained virtually stable in 2002, ending the year at EUR 91,974 million (an increase of 0.4 percent), and remaining in line with the value reported at September 2002. The ratio of funds under management to indirect funding experienced a slight decline, going from 41.8 percent in December 2001 to 40.7 percent in June 2002 and 40.4 percent at the end of 2002.



Expanding by 4.8 percent to EUR 80,531 million as of 31 December 2002, the MPS Group's direct funding accounted for approximately 6.7 percent of the domestic market. The growth was mainly realized through sight instruments (balances in current accounts were up by 4.8 percent and funds in repurchase agreements were 19.2 percent higher) and bank-issued bonds (whose outstandings were 16.3 percent higher). Such increases reflected customer demand for low-risk and highly liquid instruments in light of ongoing uncertainty about the trend of the financial markets.

## ■ DIRECT FUNDING FROM CUSTOMERS (in EUR mn)

	·	•		
	31/12/02	% Change	%	of
		vs 2001	2002 Total	2001 Total
Savings deposits	4,130	-2.4	5.1	5.5
Current accounts	37,028	4.8	46.0	46.0
Certificates of deposit	6,316	-24.1	7.8	10.8
Repurchase agreements	7,833	19.2	9.7	8.6
Bonds	20,588	16.3	25.6	23.0
Other	1,359	-16.7	1.7	2.1
Sub-total	77,254	4.7	95.9	96.0
Subordinated liabilities	3,276	7.6	4.1	4.0
Total	80,531	4.8	100.0	100.0

### ■ Distribution of funding by sector of activity

The table below provides a summary of deposits by sector of activity. As indicated, funding from retail customers and family-owned businesses grew from 67.9 percent of the total at the end of 2001 to 69.2 percent at the end of 2002; the gains were offset by a decrease in the share of non-financial businesses which fell to 18.2 percent.

## ■ BREAKDOWN OF DEPOSITS OF ORDINARY RESIDENT CUSTOMERS OF ITALIAN BRANCHES in EUR mn

	31/12/02	% Change vs 2001	% of 2002 Total	% of 2001 Total
Governments, financial institutions				
& insurance cos.	5,015	4.9	12.6	12.3
Non-financial companies	7,226	-6.1	18.2	19.8
Family-owned businesses	2,574	-1.9	6.5	6.8
Retail deposits (*)	24,912	5.0	62.7	61.1
Total	39,726	2.3	100.0	100.0

<sup>(\*)</sup> Total includes private institutions and deposits which cannot be classified in the other categories.



#### ■ Geographical distribution of funding

The central regions of Italy continue to make a significant contribution to funding, accounting for 48.9 percent of total deposits (current accounts, savings deposits and certificates of deposit) of Italian branches. The northern regions also provide a good funding base, representing 26.3 percent of the deposits.

#### ■ DEPOSITS OF ORDINARY CUSTOMERS WITH ITALIAN BRANCHES

Distribution by Customer Residence - in EUR mn

	31/12/02	% Change	ge % of	
		vs 2001	2002 Total	2001 Total
Northern Italy	10,463	10.8	26.3	24.3
Central Italy	19,442	-0.8	48.9	50.5
Southern Italy and Islands	9,821	0.5	24.7	25.2
Total	39,726	2.3	100.0	100.0

Considering the trends indicated above and the market difficulties referenced several times, total customer funding rose by a significant 2.4 percent on an annual basis and incorporating new flows of more than EUR 2,500 million as of 30.09.2002. Total customer funding continues to remain the cornerstone of the MPS Group's commercial policy.

#### ■ TOTAL CUSTOMER FUNDING (in EUR mn)

	31/12/02	% Change	%	of
		vs 2001	2002 Total	2001 Total
Direct funding	80,531	4.8	46.7	45.6
Customer deposits	49,780	5.9	28.9	27.9
Borrowed funds backed by negotiable ins	truments 27,475	2.5	15.9	15.9
Subordinated debentures	3,276	7.6	1.9	1.8
Indirect funding	91,974	0.4	53.3	54.4
Funds under management	37,035	-3.4	21.5	22.7
Funds under administration	54,939	3.0	31.8	31.6
Total	172,505	2.4	100.0	100.0

A breakdown of indirect funding within the individual commercial networks shows gains of 2.1 percent at Banca Toscana and 3.9 percent at Banca Agricola Mantovana, and a slight 1.8 percent decrease at Banca Monte dei Paschi, which was more affected than the other banks by the decrease in the prices of equities. In direct funding, the gains of Banca Agricola Mantovana and Banca Toscana were even stronger, at 13 percent and 4.4 percent, respectively, while the parent company realized a more moderate increase of 0.4 percent partly due to the planned reduction of the wholesale deposits of the foreign branches. Bonds and sight instruments (current accounts and repurchase agreements) continued to account for a good portion of the growth of direct funding. Taking into account these changes, the funding sourced by the commercial banks expanded overall, with the biggest increases reported by Banca Agricola Mantovana (7.3 percent) and Banca Toscana (3.1 percent).

in EUR mn

Funding of the commercial banks	Banca MPS		BANCA TOSCANA		ВАМ	
	31/12/02	% Change vs 2001	31/12/02	% Change vs 2001	31/12/02	% Change vs 2001
Total customer funding	110,427	-0.8	26,104	3.1	23,750	7.3
	www.mps.it		www.bancatoscana.it		www.bam.it	

#### ■ LENDING

The lending business was developed pursuant to the strategic directives issued by the Corporate Center, which were aimed at standardization of policy and procedures in pricing and in assessing creditworthiness. Such standardization has been sought across sectors and geographic areas. Against this backdrop, the MPS Group focused mainly on building business in the medium- and long-term components, thereby promoting the maximum integration between the distribution networks and the product factories, and the development of stronger customer relationships. New mortgage loans disbursed to retail and corporate customers hit a record level of EUR 5,305 million, as efforts to boost the new production of specialized credit also continued. Launched at the beginning of the year, a marketing plan covering new corporate products for the innovative management of financial risks and investments also produced significant results.

#### ■ SPECIALIZED LENDING TO CORPORATES

in EU	R mn	31/12/2002	31/12/2001
MPS Finance			
In	vestment products	548	
Ri	sk management	1,676	
MPS Merchant			
Αŗ	oplications	6,621	4,459
Di	isbursements	1,545	1,110
MPS Banca Verde	2		
Αŗ	oplications	1,403	761
Di	isbursements	703	415
Merchant Leasing	g & Factoring		
Ne	ew leases executed	1,819	1,434
Fa	ctoring turnover	3,711	3,638
Consumit			
Di	isbursements	709	496

Outstanding loans grew by 8.6 percent for the year to reach EUR 68,472 million as of 31 December 2002, with the MPS Group's share of the loan market as of the same date at 6.3 percent. The bulk of the growth was realized in the first half, with the second half accounting for only two percentage points of the increase as a result of both the Corporate Center's guidelines for the purpose of reducing capital absorption and the weaker trend of the economy in general.

As shown in the table below, the development of the loan business at the commercial banks was less buoyant than in the past, partly in consideration of the securitization transactions carried out during the year.

in EUR mn

Commercial banks	Banca MPS		BANCA TOSCANA		BAM	
	12/2002	% Change vs 2001	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001
Total customer loans	36,803	-3.3	11,018	4.5	8,236	9.7
	www.mps.it		www.bancatoscana.it		t www.bam.it	



The specialized product companies provided a more significant contribution, with their growth rates all above 20 percent.

in EUR mn

Corporate product companies	MPS M	erchant	MPS Banca Verde		MPS Banca Verde Consum.it		ım.it
·	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001	
Total customer loans Loans disbursed during	4,572	23.4	1,864	30.1	894	52.3	
the period	1,545	39.2	703	69.4	709	42.9	
	www.mpsr	merchant.it	www.ban	caverde.it	www.co	nsum.it	

A breakdown of loans by type highlights the growing weight of mortgages (up from 40.6 percent to 42.2 percent) and leases (rising to 5.2 percent). As indicated in the section regarding doubtful loans, the actual growth of non-performing loans was 8.0 percent.

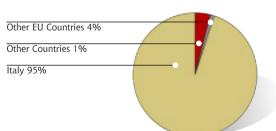
#### ■ DISTRIBUTION OF LOAN PORTFOLIO BY TYPES OF LOANS (in EUR mn)

	31/12/02	% Change	%	of
		vs 2001	2002 Total	2001 Total
Current accounts	13,024	11.8	19.0	18.5
Advances	5,440	-14.8	7.9	10.1
Advances and subsidies	11,761	-0.5	17.2	18.7
Personal loans	1,073	-43.1	1.6	3.0
Mortgages	28,875	12.8	42.2	40.6
Loan value of financial leases	3,543	55.2	5.2	3.6
Other	3,744	42.4	5.5	4.2
Non-performing loans, net	1,011	30.0	1.5	1.2
Total	68,472	8.6	100.0	100.0

#### **■** Geographical distribution of loans

#### Geographical distribution of loans

31/12/2002



As shown by the graph below, customer loans are concentrated in Italy, which accounts for 95 percent of total exposure. As a whole, the exposure to borrowers in the European Union amounts to 99 percent of the total:

#### ■ Distribution of loans in Italy

Though affirming the concentration of loan volumes in the MPS Group's traditional market areas, the geographic distribution of the

loan portfolio has shifted in recent years and become slightly more balanced due to the expansion of the distribution network and strength of production in the northern regions of the country, which account for 35.6 percent of total disbursements compared with 33.4 percent in 2001.

#### ■ LOANS TO ORDINARY RESIDENT CUSTOMERS ITALIAN BRANCHES

Distribution by customer residence - in EUR mn

	31/12/02	% Change	%	of
		vs 2001	2002 Total	2001 Total
Northern Italy	21,918	16.0	35.6	33.4
Central Italy	27,703	4.8	45.0	46.7
Southern Italy and Islands	11,887	5.9	19.3	19.9
Total	61,507	8.7	100.0	100.0

#### ■ Loans by customer segments and sectors of economic activity

The distribution of the loans of Italian branches by sector highlights the predominant weight of loans to support production, with the weight thereof growing from 63.2 percent to 66.1 percent.

#### ■ LOANS BY CUSTOMER SEGMENT

Italian branches - in EUR mn

	31/12/02	% Change	%	of
		vs 2001	2002 Total	2001 Total
Governments, financial institutions & insurance	cos. 9,612	5.5	15.6	16.1
Loans for production purposes	40,651	13.8	66.1	63.2
non-financial companies	35,727	14.7	58.1	55.1
family-owned businesses	4,923	7.5	8.0	8.1
cottage industries	1,090	8.3	1.8	1.8
other family-owned businesses	3,832	7.2	6.2	6.3
Retail loans	10,902	-4.4	17.7	20.2
Other	343	11.3	0.6	0.5
Total	61,507	8.7	100.0	100.0

The table below highlights the traditional, broad-based diversification of the Bank's loan portfolio.

#### ■ LOANS FOR PRODUCTION PURPOSES

Loans by sector of economic activity - in EUR mn

	31/12/02	% Change		% of
		vs 2001	2002 Total	2001 Total
Agriculture	2,711	20.2	6.7	6.3
Industry	15,174	14.3	37.3	37.2
Building and public works	4,276	13.7	10.5	10.5
Commercial services, recoveries and repairs	6,932	8.6	17.1	17.9
Other services	11,558	15.0	28.4	28.1
Total	40,651	13.8	100.0	100.0

#### ■ Degree of concentration of loans outstanding

The traditional diversification of the loan portfolio is a critical part of the Group's lending policy. Roughly 56.4 percent of the loans of the MPS Group are for individual amounts of less than EUR 2.5 million, while the concentration of risk continues to be relatively limited.



#### ■ LOANS OUTSTANDING BY AVERAGE AMOUNT

Cash credits, net of non-performing loans

		% of Total
	31/12/02	31/12/01
0 - EUR 75,000	14.0	17.9
EUR 75,000 - EUR 250,000	15.1	14.7
EUR 250,000 - EUR 500,000	7.7	7.4
EUR 500,000 - EUR 2,500,000	19.6	18.5
EUR 2,500,000 - EUR 50,000,000	24.3	22.3
More than EUR 50,000,000	19.4	19.2
Total	100.0	100.0

#### **■** Credit securitization transactions

The MPS Group effected certain securitization transactions in 2002 as part of its capital management program which is aimed at generating liquidity, reducing debt and improving the level of mismatching of maturities and the capital ratios. A summary of these transactions is provided below, with additional information supplied in the notes to the financial statements:

- Non-recourse transfer of pecuniary credits arising from performing personal loans for an aggregate price of EUR 1,737.69 million, with the originator banks and respective amounts as follows:
- Banca Monte dei Paschi di Siena: roughly EUR 696 million;
- Banca Toscana: roughly EUR 546 million;
- Banca Agricola Mantovana: roughly EUR 353 million;
- Banca 121: roughly EUR 142 million.
- Non-recourse transfer of a portfolio of performing first mortgage loans on residential properties for an aggregate current price of EUR 1,616.07 million, with the originator banks and respective amounts as follows:
- Banca Monte dei Paschi di Siena: roughly EUR 709 million;
- Banca Toscana: roughly EUR 505 million;
- Banca 121: roughly EUR 262 million;
- Cariprato: roughly EUR 140 million.
- Transfer by Banca Agricola Mantovana of a part of its performing first mortgage loans on buildings, for roughly EUR 306.6 million.

#### ■ STRUCTURED FINANCE AND MERCHANT BANKING

The structuring of MPS Merchant and MPS Banca Verde was completed during the year, with the following activities concentrated in these "excellence centers": structured finance, advisory services, private-equity investments, and advisory services and assistance for initiatives related to the environment and the farming and agro-industries.

The expansion of project financing also continued, with important transactions closed in various economic sectors with leading national and international companies developing projects in Italy. The activity in infrastructures (see box) was flanked by other major projects:

- Water industry: financial advisor of the industrial partner of the Optimal Domain of Latina (ATO);
- Energy: organization of financing for hydroelectric energy projects (Sistemi di Energia), thermoelectric energy projects (Ecoenergia, Appia Energy) and the production of energy from renewable sources, including 11 wind-energy parks (Gamesa, Spain; Fortore Energia, Foggia, Italy);
- Environment: financing of various waste disposal sites and treatment plants (Manduria Ambiente); assessment and financing of a waste disposal combustion thermoelectric plant and its use for on-site production of electric energy (A.A.M.P.S., Leghorn, Italy);
- Certification of earnings/financial plans: further development of activity carried out pursuant to the so-called Merloni Ter Law regarding plans for the construction and management of public works.

#### ■ PROJECT FINANCING IN THE INFRASTRUCTURE SECTOR

Key projects involved:

- structuring, organization and financing of a club deal for the tourist port of Marina di Stabia;
- structuring and financing of the tourist port of Rimini;
- advisory services for the development on a project financing basis of the business plan drawn up by Firenze Parcheggi S.p.A (parking

facility management company);

- financial advisor and arranger for the definition of a structured finance transaction in relation to the five-year investment plan of Società Autostrade Ligure Toscana (highway management company);
- advisor and arranger for the realization of outlet centers in Fidenza and Castel Romano.

The structured finance activity also included several important acquisition financing transactions, including the acquisition of Carapelli S.p.A. with the Ducato Venture Fund buying a portion of the equity.

In private equity, MPS Venture, a subsidiary of MPS Merchant, was registered as a funds management company (SGR) on the register maintained by the Bank of Italy. During the second half of the year, the newly registered company secured authorization to manage the closed investment funds "MPS Venture"

I", "Siena Venture" and "Salento Venture", all of which completed their funding programs in the first quarter of 2003.

MPS Merchant also acted as an advisor to the closed funds, Centroinvest and Ducato Venture, which successfully completed their investment activity during the year. Advisory mandates also covered services in relation to the privatization (and in particular, municipal-owned pharmacies and airports) and several extraordinary financing transactions (Province of Grosseto; ATAF; Panapesca, etc.).



#### ■ ADVISORY SERVICES IN THE ENVIRONMENTAL SECTOR

The mandates carried out during the year included:

- assistance and mentoring for the procurement of the EMAS registration for Centrale del Latte di Firenze, Ruffino S.p.A., Marchesi Frescobaldi and cooperative company, "Le Chiantigiane";
- a study to identify the technical and financial instruments needed for the design, production and management of wind-energy parks for the production of energy by local entities (Regione Toscana)

In addition to the principal areas and transactions which were the main target of consulting and assistance on environmental matters (see box), a portfolio of advisory services was developed to cater to local entities and to firms operating in farming and the agro-industry, with several mandates carried out for financial planning and certification in favor of consortiums of businesses.

#### ■ INTERNATIONAL BANKING ACTIVITY

With a focus on enhancing and improving the Group's overall operations in international banking, efforts went to planning the sales and marketing of international services by the Italian network and the strategic mission of the direct and indirect foreign network. At the same time, more intense efforts went into business development with foreign correspondents.

#### **■** Commercial activity

As part of the overall management of country and counterparty risks (further information is provided in the section on integrated risk management), the commercial activity of the international banking area has been focused on several priorities: the consolidation of group methods and procedures so as to standardize current operations; the creation of new products; and the identification of specialized resources aimed at developing and supporting international expansion on the part of Italian companies, and small- and medium-sized companies in particular.

The relationship with Italian export-import insurance entity, SACE, was intensified in 2002 with the execution of a new working agreement. Another agreement was signed with the European Bank for Development and Reconstruction. Such initiatives paved the way to business opportunities with other emerging markets, thus amplifying the range of risks covered and consequently, the products made available to customers.

On the basis of these and previous agreements, the Group launched its "Exportkey" product which allows Italian exporters to negotiate business transactions with counterparties in high-risk countries, with BMPS willing to take on such risk.

In the domestic market, the Group signed master agreements covering advisory services and technical assistance for supporting the international expansion of companies together with Federexport (the federation of export consortiums), Confservizi International (the confederation of Italian utilities) and Toscana Promozioni.

A notable effort went to developing and integrating communication between the foreign network and the Group's business units based in the home market so as to channel the operational synergies arising therefrom to the support of the customers' activity. As a byproduct of this effort, Banca MPS was appointed as the agent bank for three aid packages amounting to EUR 87 million, two of which went to Tunisia and the third of which went to

Algeria. This mandate will help facilitate the objective of further improving the MPS Group's positioning in the Maghreb area.

The volumes of trade transactions settled through the MPS Group network for goods and other aggregates totaled EUR 54.7 billion for the "current accounts". The Group thus logged a 4 percent increase above the 2001 level, and performed in contrast with the industry, which realized a decrease overall.

The correspondent banking activity underwent certain changes in line with the governance objectives of the Corporate Center. On the one hand, efforts were dedicated to seeking out and finalizing working accords with correspondent banks. On the other hand, management focused on coordinating and streamlining correspondent relationships for all of the operating entities of the Group.

Agreements covering USD and JPY clearing services were signed at a group level, while a greater presence of the Group within the EBA system allowed for reducing the unit costs of the transactions executed. Another decision was taken to join the CLS (Continuous Linked Settlement) System for the coverage of settlement risk on foreign-exchange transactions. As of 31 December 2002, the MPS Group had some 2,300 correspondent relationships with foreign institutions.

#### **■** Direct Foreign Network

With the international network being restructured in response to the organizational directives, growth strategies, and operational objectives of the Business Plan, the Group opened new customer desks during 2002 in order to support the foreign branches and representative offices. With their commercial orientation, these desks are functional to the foreign branches' new mission and to the achievement of maximum integration with the Group's domestic network. As part of the restructuring, the Cayman Islands branch and the Tokyo representative office were closed in 2002, with their business consolidated into other branches in the same areas of the world. The foreign network is currently structured so as to focus on specific geographic areas

#### **■ COMMERCIAL AGREEMENTS WITH CORRESPONDENT BANKS**

The major events occurred during 2002 involved:

- Eastern European area: Alpha Bank in Romania, an institution in which BMPS holds a minority interest and to which BMPS has seconded its own personnel; Wolksbank, with operations in Croatia, Czech Republic, Slovenia and Hungary; and Ludova Bank in Slovakia;
- Maghreb area: Crédit du Maroc, with BMPS staff installed in Casablanca; C.I.B. (Commercial International Bank) in Egypt; and B.A.D.R. (Banque de the Agricolture et du Developpment Rural) in Algeria;
- Iberian Peninsula: Bancaja Banking Group, with BMPS personnel assigned to an office in Valencia.

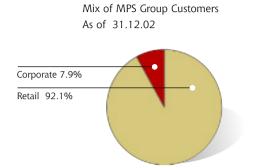
which have been selected for their commercial potential and their capacity to support the Group's existing clientele. Given this logic and the importance of a presence in the principal financial markets of London, New York and Frankfurt, the Group decided to consolidate its presence in Southeast Asia by concentrating business with the Hong Kong and Singapore branches, which operate with the support of representative offices in Beijing and Shanghai. With the start-up of business at a new representative office in Algiers, the Group has reinforced its presence in the

Maghreb area, where it already operates through offices in Tunis and in Cairo. With the Moscow office serving as a point of reference, the former Soviet Union also remains an area of interest to the Group. In southeastern Europe, another area of interest, business is concentrated with the Istanbul office. An overview of the foreign network as of 31 December 2002 is provided in the section regarding distribution channels.



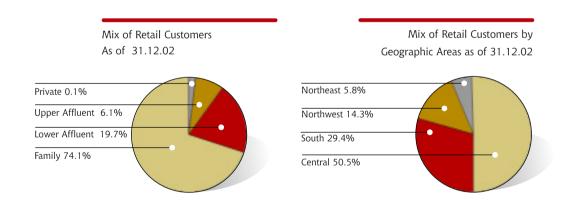
#### CUSTOMER PORTFOLIO

In 2002, the customer portfolio of the MPS Group grew by around 110,000 accounts, or 2.5 percent, to put the total at 4,450,400 at year end. As of 31 December 2002, the



customers of the commercial networks only numbered approximately 4,252,000. Some 86.4 percent of this total was represented by retail customers (individuals), with small family-owned businesses and corporate customers accounting for 5.7 percent and 7.7 percent, respectively, and the residual 0.2 percent represented by public entities, insurers, financial services companies and banks. The distribution of the customer base between corporate and retail customers remained virtually unchanged with respect to the breakdown as of the end of 2001. A review of the retail business shows the Family segment (assets of less than EUR 25,000) accounts for over 74 percent of the Group's customers. The weight of the Upper Affluent segment (assets between EUR 125,000 and EUR 500,000) rose by one-half percentage point, while the weights of the Lower Affluent segment (between EUR 25,000 and EUR 125,000) and the Private-Banking

segment (assets of more than EUR 500,000) remained on par with the 2001 levels. From a geographic perspective, the central regions of Italy are home to more than 50 percent of the retail clientele, while the southern and northern regions account for roughly 30 percent and 20 percent, respectively.

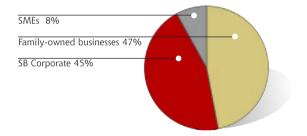


In 2002, the Group revised the organizational structure of the branch networks with regard to its service to corporate customers. The new structure is based on different value propositions organized by customer segment (small businesses, SMEs, large corporates, financial institutions and public-sector entities). The corporate customer base (excluding large corporate, financial institutions & insurance cos., and public-sector entities) was then segmented according to a criterion responding to specific conditions:

- SMEs: companies with revenues of more than EUR 5 million and companies with revenues of between EUR 1.5 million and EUR 5.0 million having specific characteristics based on a mix of criteria which include economic sector of activity, the degree of sophistication of the customer's needs and the future business potential;
- Small businesses: companies not included in the SME segment, set up as corporations, sole proprietorships, partnerships and family-owned enterprises which have typical needs of a corporate customer;
- Family-owned businesses (to be shifted to the retail segment): any companies not assigned to the Small Business segment.

The new distribution model is being tested at the BMPS network in the area of Lombardy (further information is provided in the section regarding innovation, research and development). From the analyses conducted during the planning and design of the new model, the corporate clientele of the commercial banks (excluding Large corporates, financial institutions and public-sector entities) is estimated to include around 500,000 customers and can be subdivided as follows:

#### Mix of Corporate Segment Customers as of 31.12.02





# DOUBTFUL LOANS

everaging its traditionally conservative loan-approval policy and its particularly rigorous approach to identifying problem situations, the Group maintained credit quality at an excellent level again in 2002, despite the difficult economic backdrop. The ratio of non-performing loans and watchlist credits to total loans stood at 3.2 percent at year end, while the ratio of net non-performing loans to customer loans remained at the 1.5 percent level reported in June, and was well below the industry average of 2.1 percent. Similarly, the ratio of gross non-performing loans to customer loans of 2.6 percent was significantly lower than the 4.5 percent average for the industry.

#### ■ DISTRIBUTION OF LOAN PORTFOLIO BY RISK CATEGORY

Risk category - Net book value	31/12/02	31/12/01	% of	% of
in EUR mn			2002 Total	2001 Total
Non-performing loans	1,011	778	1.5	1.2
Watchlist credits	1,178	935	1.7	1.5
Restructured loans	56	45	0.1	0.1
Unsecured loans to high-risk nations (*)	180	190	0.3	0.3
Total doubtful loans	2,426	1,948	3.5	3.1
Performing loans	66,046	61,090	96.5	96.9
Total customer loans and advances	68,472	63,038	100.0	100.0

<sup>(\*)</sup> Pursuant to the directives of the Bank of Italy and in accordance with a more conservative assessment of realizable value, the balance includes exposure to countries for which no provisions have been planned. The total amount of doubtful loans for the aggregate includes EUR 7.9 million as of 31/12/2002 and EUR 9.4 million in 2001.

The table below provides a summary of credit quality indicators for the main units of the MPS Group. As shown, Banca Toscana has a ratio of non-performing loans to total loans which is below one percent. The product companies have, instead, a lower percentage of doubtful loans mainly because most of their credits are secured.

#### ■ DOUBTFUL LOANS BY BUSINESS UNIT

Risk category	BMPS	BT	BAM	MPS	MPS
Net values as of 31 December 2002				Merchant	Banca
in EUR mn					Verde
Non-performing loans	582	72	147	180	46
Non-performing loans / total customer loans	1.4%	0.7%	1.8%	3.9%	2.4%
% coverage of doubtful loans / gross non-performing	40.0%	46.6%	52.5%	19.3%	18.9%
Watchlist credits	698	240	105	64	28
Watchlist credits / total customer loans	1.9%	2.2%	1.3%	1.4%	1.5%
% coverage of doubtful loans / gross watchlist credits	24.0%	17.8%	21.6%	10.2%	3.8%

Growing slightly in 2002, the principal balance of net non-performing loans totaled EUR 1,011 million as of 31 December 2002 compared with EUR 778 million at the prior year end. The bulk of the growth (30.0 percent) was recorded in the first half of the year, with the balance expanding by 4.4 percent from the end of June.

The growth of gross non-performing loans for the full year (including securitized credits in the 2001 base) came to around 8 percent.

#### ■ TREND OF NON-PERFORMING CUSTOMER LOANS

in EUR mn	31/12/02	31/12/01	% Change
Book value of principal amount outstanding	1,624	1,217	33.4
Loans with doubtful outcome	631	460	37.3
Net value of principal amount outstanding	993	757	31.1
Interest in arrears	219	201	8.8
Interest in arrears on loans with doubtful outcome (*)	200	180	11.1
Net value of interests in arrears (adjusted)	19	21	-11.3
Net book value	1,011	778	30.0

<sup>(\*)</sup> Interest in arrears considered recoverable from several Banca MPS subsidiary companies

The table below illustrates the changes occurring during the year:

#### ■ TREND OF NON-PERFORMING CUSTOMER LOANS

including interest in arrears - in EUR mn

	<b>Amount Outstanding</b>	Doubtful Loans	Net Value
Balance as of 31.12.2001	1,418.1	639.9	778.2
Increases during the year	914.7	495.7	418.9
Transfers from performing loans Transfers from other categories	368.9		
of doubtful loans & other increases	492.9		
Interest in arrears	52.8		
Decreases during the year	489.9	304.2	185.7
Transfers to performing loans	3.4		
Amounts written off		184.6	
Collections	213.1		
Transfers to other categories			
of doubtful loans and other decreases	88.8		
Balance as of 31 December 2002	1,842.8	831.4	1,011.4

The ratio of doubtful loans to gross non-performing loans rose to 45.1 percent at year end from 43 percent in June, and climbs to around 55 percent when including the losses directly booked to the profit and loss statement in preceding years. In addition, a certain degree of uncertainty still affecting the economy and the markets, the Group further reinforced its general protection against credit risk with the ratio of reserve coverage to performing loans equal to 0.89 percent.



# SECURITIES PORTFOLIO AND TREASURY ACTIVITY

he year of 2002 turned out to be one of crisis for the world economy. The threat of recession adversely affected most of the leading industrialized countries, while growing political tensions helped to exacerbate the performance of the economic cycle. Such tensions were partly responsible for the brusque drop of economic activity in the United States, and one of the reasons for the more intense volatility in the global financial markets (the Eurostoxx Index, for example, experienced a decline of 34.5 percent). Operating against this backdrop, the Group's Proprietary Finance activity was particularly prudent, as indicated in greater detail in the section concerning investment activity in the parent company's financial statements.

### ■ SECURITIES PORTFOLIO

As of 31 December 2002, the aggregate amounts of securities held for the account of the MPS Group came to EUR 16,911 million. The figure reflects an increase of EUR 1,419 million with respect to the balance at 31 December 2001, but a decrease of EUR 2,500 million in comparison with the total at June 2002.

The table below provides an overview of the two components making up the aggregate portfolio:

#### ■ OWNED SECURITIES (in EUR mn)

	31/12/02	31/12/01
Total securities	16,911	15,492
Investment portfolio	4,453	4,310
Trading portfolio	12,458	11,181

- The balance of the investment portfolio remained virtually stable around the level reported as of 31 December 2001.
- The holdings in the trading portfolio were some EUR 1,277 million higher, though incorporating a significant EUR 2,400 million reduction with respect to 30 June 2002. The decrease in the second half is mainly the result of certain temporary holdings maturing (EUR 1,700 million approx.) and the divestiture of a portion of the portfolio for the purpose of curtailing risk.

The table below provides a breakdown of the securities portfolio by type of investment as of 31 December 2002:

#### ■ OWNED SECURITIES (in EUR mn)

	31/12/2002	31/12/2001
Government securities	542	1,183
Bonds and other fixed-income securities	15,455	12,797
Shares, quotas and other equity securities	914	1,511
Total	16,911	15,492

The growth mainly regarded the investment in bonds (increase of EUR 2,200 million); instead, the decrease in the holdings of equities of EUR 600 million can be attributed to the reclassification of BAM and Banca Toscana shares as long-term equity investments.

#### ■ TREASURY ACTIVITY

In 2002, the parent company increased trading volumes while also employing dynamic management techniques which yielded a significant reduction in the banking book's exposure to liquidity risk and a notable increase in the activity of trading interest-rate derivatives.

In the interbank deposit market, and in particular, on the E-Mid circuit, the MPS Group's treasury continued to rank among the top performers for the entire year. Handling transactions with a countervalue of EUR 398 billion, the MPS Group placed first in euro transactions volume and secured a 4.5 percent share of the market; in the interbank market for U.S. dollars, the Group handled volumes of EUR 25 billion, putting in second place with market share of 8 percent.

A summary of the MPS Group's interbank position is provided in the table below:

#### ■ INTERBANK BALANCES (in EUR mn)

	31/12/02	31/12/01
Amounts due from banks	16,027	13,880
Amounts due to banks	20,516	15,106
Net borrowing position	-4,489	-1,226

The net borrowing position in the interbank market as of 31 December 2002 increased by EUR 3,250 million with respect to the end of 2001, but also incorporated a decrease of roughly EUR 4,500 million with respect to the balance as of 30 June 2002 due to the maturities of the temporary trading securities transactions as indicated above.



# INTEGRATED RISK MANAGEMENT

### ■ RISK MANAGEMENT PROCESS AT THE MPS GROUP

#### ■ BASIC PRINCIPLES AND ORGANIZATIONAL STRUCTURE

The risk management process at the MPS Group has gradually developed in recent years, and is mainly geared toward consolidating control units and reinforcing control mechanisms.

The process is based on several fundamental principles which provide for a clear definition of roles and responsibilities at three levels, and namely, line controls specified by operating area, the controls of the Risk Management Department within the Corporate Center, and the auditing controls assigned to the Internal Controls Department.

The risk management process is the responsibility of specialized units within the Group which handle the monitoring and controls.

The Board of Directors is responsible for defining the overall degree of risk aversion and the operating limits in relation thereto.

The Board of Statutory Auditors and the Internal Controls Committee are instead charged with evaluating the degree of efficiency and the adequacy of the internal controls system, with particular reference to the control of risks.

Senior Management has the task of guaranteeing compliance with the policies and procedures on the subject of risks.

The Corporate Center's Risks Committee has the responsibility of evaluating the risk profile of the individual companies of the Group and at a consolidated level, the absorption of capital for both regulatory and profitability purposes, and the trend of the risk-return performance indicators; the committee meets regularly on a monthly basis and is vested with decision-making authority within the limits of the powers conferred to the Chief Executive Officer.

The committee provides consultative input to the Board of Directors, while it also prepares risk-management policies to be submitted to the Board and verifies the overall observance of the limits on risks assigned at various levels of the operations.

Finally, it guarantees the maintenance over time of an adequate system for measuring and monitoring risks and provides feedback thereon at each meeting of the Board of Directors through a special report prepared by the Risk Management Department, the Committee secretary.

The Finance and Capital Management Committee set up near the end of 2002 has been assigned the tasks of: allocating and re-allocating capital at a consolidated level and in terms of the individual companies and business areas of the MPS Group; defining any corrective action to be taken to modify the risk-return profile for macro portfolios; and identifying initiatives to be adopted for the best risk-return profile for the asset and liability management.

The Internal Controls Department of the Corporate Center is charged with defining the regulations applicable to the internal controls system and verifying the actual application and observance thereof.

#### CREDIT RISKS

#### ■ NEW BASLE ACCORD

During 2002, work continued on improving and refining the methodology for the BMPS loan portfolio model, and was partly propelled by the important new guidelines delineated by the Basle Committee as part of the forthcoming issuance of new regulations on the capital adequacy of banks (Basle II).

Set to substitute the existing accord starting in 2007, the new Basle Accord incorporates various changes in the area of credit risks, with the introduction of new ways for measuring risks and new instruments for the calculation of weighted assets. The Basle II regulations establish a more direct relationship between risks which banks assume with respect to counterparties and the amount of capital needed for regulatory purposes, assuming the probability of default (and thus, the rating) are internally and externally estimated as the principal (albeit not the only) input in determining the amount of capital required. One particular aspect of the new accord is the possibility for credit intermediaries to choose between a "simplified" measurement approach ("standardized approach") and an approach based on internal ratings ("internal-rating based approach"), which, in turn, allows for either a "base" method or an "advanced" method. The advanced method - which is expected to be applied by most large banking groups, or in any event, by more sophisticated intermediaries - provides for the use of estimated data in relation to the rates of loss on insolvencies (loss given default) or on the exposure at the time of the insolvency (exposure at default). The estimation processes must respond to precise qualitative and quantitative requisites, and must also be validated by the regulatory authorities. The aforementioned



regulations - whose definitive issuance is expected for the end of 2003 - have particularly interesting implications, not only in terms of methodology and measurement, but also in relation to the organizational areas which are affected. Specifically, the use of the rating systems for loan disbursement, renewal and monitoring, pricing and approval mechanisms is a material condition for the adoption of the internal-rating based approach. Banks have been requested to provide accurate planning of the organizational phase so as to allow for effective and efficient absorption thereof into their operations and culture.

The criteria provided by the new accord for calculating the amount of capital required will favor greater convergence between the measures of regulatory capital and operating capital, thereby promoting a comprehensive and consistent computation which cuts across various bank departments.

BMPS, which aims to be using the advanced internal-rating based approach as of 2007, is carrying out a series of projects to ensure all currently existing instruments and processes for measuring credit risk will be Basle II-compliant. Such projects address both methodologies as well as organizational aspects.

The recent QIS III test requested by the Basle Committee through the Bank of Italy provided an important chance for simulating the impact on capital of Basle II, with most leading international banks having participated in the exercise. The MPS Group was among the credit institutions which evaluated the capital impact through the use of the standardized approach and internal-rating based approach (both the base approach and the advanced approach) vis-à-vis the current requirements for regulatory capital.

#### ■ DEVELOPMENTS IN THE MEASUREMENT OF CREDIT RISK

At BMPS, credit risk is measured through the use of a loan portfolio model which shows risk measures (expected loss and capital) in absolute and relative terms for each position, with and without the "diversification" effect. The data input to the model come from: 1)

Risk Exposure (excluding infragroup transactions)
Banca MPS – 31/12/2002

Governments and Public Entities 7%
Individuals 16%

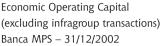
Financial Institutions 26%
Companies 51%

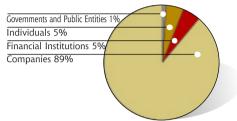
the internal rating system, whose results can be compared with the ratings of external agencies through the use of a master-scale comparative schedule; 2) the severity rate (LGD), calculated as a percentage of lost earnings to be applied to the exposure to risk of insolvency; 3) potential exposure at default, which represents the loan presumed to be at risk as of the date of the counterparty's insolvency and which is usually determined by applying a percentage (which expresses the average amounts drawn against credit lines) to the amounts of credit lines not yet used. The confidence interval is set at 99.93 percent, while the holding period is annual.

The QIS III exercise automatically accelerated the process of integration with the risk data of the main subsidiaries of the MPS Group. This not only allowed for the measurement of capital absorption in accordance with the new principles of Basle II, but also for the construction of a group loan portfolio model which is soon to be released. With the development of the group model, it will be possible to measure integrated risks as well as to verify the marginal contribution of risk for each of the entities considered.

The dynamic analysis of risk measures relative to BMPS shows substantial stability during the year, even though there were several events in 2002 which influenced the overall

composition of the portfolio. Such events include: changes due to the calibration of the rating classes, the spin-off of the leasing and factoring units from BMPS with subsequent creation of MPS Leasing & Factoring and, near the end of the year, the incorporation of the customer loans of Banca 121. The positions with the greatest degree of capital absorption are obviously those to productive enterprises. Loans to banks and to governments and government entities provide a significant contribution in terms of diversification.





#### COUNTRY RISK

Despite timid signs of a turnaround, the turbulence in the international financial markets and the weakness of the global economy in 2002 translated into risks not only in emerging nations but also in countries whose economic performance has been historically sound. Argentina's severe financial problems prompted concerns of a spillover of the crisis into neighboring economies, while also accentuating the climate of political instability in the region. Southeast Asia, too, has been marked by considerable economic and political instability stretching over a period of years. The bankruptcies of several important multinational corporations and the inability of other companies (especially new economy companies) to return to a profit are other developments that have adversely affected even on the areas considered the safest and most secure.

From an operational perspective, the activity of monitoring country risk in 2002 included macroeconomic analysis for the preparation of country classifications, and the quantification of credit lines by country which serve as a point of reference to the parent company and the MPS Group companies for the assumption of credit risks. A country studies service was updated during the year with study on Italy and the scenario for emerging nations; the service is designed for companies and investors, and is available on the Internet sites of the banks of the MPS Group (for the parent company: http://www.mps.it).

Given the uncertainty at present, the MPS Group has reduced unsecured exposure to risk nations; in particular, at BMPS (which represents more than 90 percent of the consolidated assets), the unsecured customer loans went from EUR 192.6 million to EUR 182.8 million, while the outstandings to banks fell from EUR 287.5 million to EUR 216.6 million. The tables below provide a summary of BMPS' unsecured exposure to risk nations.



Such exposure, which declined over the year and is limited overall, is subdivided by geographic area and type of counterparty (customers and banks) as shown hereunder:

■ UNSECURED CREDIT (CASH AND SECURITIES) VS. HIGH-RISK NATIONS - in EUR mn

Geographic Area	Gro	ss Exposur	e	Doub	tful Loans	Net Exposure
	Customers	Banks Sec	urities (*)	Total		
AFRICA	13	15	0	28	1	27
LATIN AMERICA	6	10	11	27	11	16
including: Argentina	0	6	11	17	10	7
including: Brazil	0	2	0	2	0	2
NORTH AMERICA	30	5	14	48	7	42
AUSTRALASIA	120	141	8	269	7	263
WESTERN EUROPE	10	0		10		10
EASTERN EUROPE AND THE BA	LKANS 1	14	8	22	2	20
NEAR EAST	3	32		35		35
TOTAL	183	217	40	440	27	413

<sup>(\*)</sup> Included in the investment portfolio of the foreign branches

The classification of country risk by transaction nature (commercial/financial/securities) is indicated in the table below:

#### ■ UNSECURED CREDIT VS. HIGH-RISK NATIONS - in EUR mn

Geographic Area	G	ross Expos	ure	Dou	ıbtful Loans	Net Exposure
	Commercial	Financial	Securities (*)	Total		
AFRICA	1	27	0	28	1	27
LATIN AMERICA	2	14	11	27	11	16
including: Argentina	0	6	11	17	10	7
including: Brazil	1	0	0	2	0	2
NORTH AMERICA	0	34	14	48	7	42
AUSTRALASIA	15	247	8	269	7	263
WESTERN EUROPE	0	10		10		10
EASTERN EUROPE AND THE	BALKANS 1	14	8	22	2	20
NEAR EAST	0	34		35		35
TOTAL	19	380	40	440	27	413

<sup>(\*)</sup> Included in the investment portfolio of the foreign branches

The MPS Group has a modest amount of exposure to Argentina and Brazil, all of which has been reviewed and if necessary, written down. The tables below show the exposure of BMPS with respect to the two countries:

#### ■ UNSECURED EXPOSURE TO ARGENTINA - in EUR mn

	Gross Exposure			Doub	tful Loans	Net Exposure
	Customers	Banks	Securities (*)	Total		
Cash credits	0	6	11	17,2	10	7
Endorsement credits		0,4		0,4	0	0
TOTAL	0	6,5	11,2	17,6	10	8

#### ■ UNSECURED EXPOSURE TO BRAZIL - in EUR mn

	Gross Exposure			Doubt	tful Loans	Net Exposure
	Commercial	Banks Se	ecurities (*)	Total		
Cash credits	0	2	0	2	0	2
Endorsement credits		0		0	0	0
TOTAL	0	2	0	2	0	2

#### ■ COUNTERPARTY RISK (NON-RESIDENT COUNTERPARTIES)

The analysis of credit risk on relationships with foreign financial institutions is the responsibility of the International Affairs Area of the Corporate Center.

The evaluation of the earnings and financial position of foreign borrowers and any subsequent assumption of credit risk by the parent company or other companies of the MPS Group are based on group objectives, even though the individual operational situations of the foreign and domestic units are taken into account.



From this perspective, priority is given to activity aimed at supporting both Italian exports and the international expansion of Italian companies.

In the international lending business, the accent has been placed on identifying transactions which not only comply with the MPS Group's credit policy, but which also translate into the smallest possible use of capital for the foreign network and income flows that are most appropriate for the credit risk assumed and the market conditions.

The assessment of country risk and counterparty risk and the relative internal scores (all banks and financial institutions with credit facilities have an internal rating) calculated on the basis of the MPS Group's policies and in accordance with the principles established by the Basle Committee serve as the premise for the uniform evaluation of prices offered on the market and the harmonization of the same within the Group. This approach is designed to yield a standard sales and marketing policy, and the achievement of common business objectives.

By embracing rigorous policies for monitoring and tracking the risks which are a normal part of the operation of the loan disbursement system, the MPS Group overall has been only marginally affected by the payment defaults of various countries in South America and Argentina, in particular.

# INTEREST-RATE AND LIQUIDITY RISKS ON THE CONSOLIDATED BANKING BOOK

#### ■ INTEREST-RATE RISK

The term "banking book" refers to all of the non-trading operations, and mainly, the activity of deposit-taking and lending with respect to the customers of the Italian and foreign branches, the short-, medium- and long-term financing of such activity; the investment securities portfolio; and the use of derivatives instruments providing for the macro or micro risk hedging within this framework. In other words, the BMPS and the MPS Group banking books refer to the balance-sheet accounts which contribute to the production of the interest margin and thus need to be managed based on the concept of balance flows in terms of both maturities and repricing.

The interest-rate risk on the banking books (volatility of the interest margin expected during the current year, or volatility of aggregate earnings, measured in both cases through asset-liability management models) mainly originates in the typical commercial banking activity of transformation of maturities of interest-sensitive assets and interest-sensitive liabilities, regardless of whether the interest rates are fixed or variable. As part of the management of the banking book, the Risks Committee is responsible for monitoring the trend of the risks on the basis of the measurements made available by the Risk Management Department of the Corporate Center. Instead, the Finance and Capital

Management Committee set up in the second half of the year is responsible for identifying initiatives to be adopted for improving the risk-return profile of asset-liability management based on the calculations prepared by the Risk Management Department and the operational recommendations of the Capital Management Department and the Asset-Liability Management Unit (Finance Area).

During the year, efforts were undertaken to streamline the operational activity in relation to the various banking books of the MPS Group. As a result, the Finance Area of the Corporate Center has been given responsibility of managing these aggregates, with the operational aspects to be handled by Centralized Treasury.

Based on total return, the management of the banking books is aimed at minimizing the volatility of the interest margin expected over the current year (12 months), or, in other words, minimizing the volatility of the overall economic value in relation to a change in the structure of interest rates.

The analysis of the change of the economic value of the banking-book assets and liabilities as a result of unexpected shocks to risk factors is carried out through the use of shift-sensitivity techniques, by determining the changes of the present value of cash flows at maturity in relation to changes in interest rates. The rate shocks considered differ by amount and structure (deterministic and statistic). A deterministic shift of 25 basis points is applied for management purposes; such a scenario is consistent with the volatility historically observed in the financial markets. In addition, in accordance with the guidelines provided for by the second fundamental aspect of Basle II in relation to the quantification of the interest-rate risk profile of the banking book, analyses are also currently carried out for a 200-basis-point parallel shock with reference to both Tier I capital and consolidated capital computed for regulatory purposes.

The table below shows the measurement of risk as of 31 December 2002 for the MPS Group with reference to the 200-basis-point parallel shift.

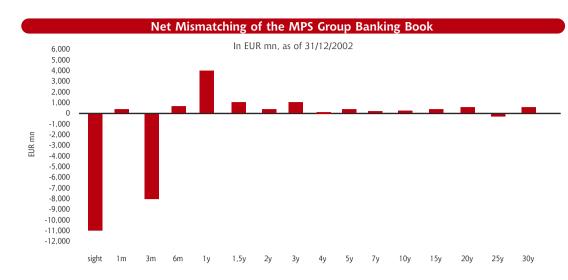
#### MPS GROUP

Risk indicators for shift of 200 basis points	31/12/2002	31/12/2001
Interest margin at risk / Interest margin	3.17%	0.31%
Economic value at risk / Tier 1 capital	2.68%	1.08%
Economic value at risk / Capital computed for regulatory purpose	es 2.00%	0.79%

Even though the aggregate sensitivity of the MPS Group banking book as of the end of 2002 is higher than at the prior year end, it is extremely limited with respect to the threshold indicated by the Basle Committee for the outlier banks (interest-rate risk rises above 20 percent of total capital computed for regulatory purposes).

The aggregate net mismatching profile of the MPS Group as of 31 December 2002 broken down by maturities highlights the limitation on exposure at the longest maturities.





The aggregation of the net positions of the individual banks gives rise to concrete benefits in terms of natural hedging at a consolidated level between the various positions, with the consequent limitation of total sensitivity.

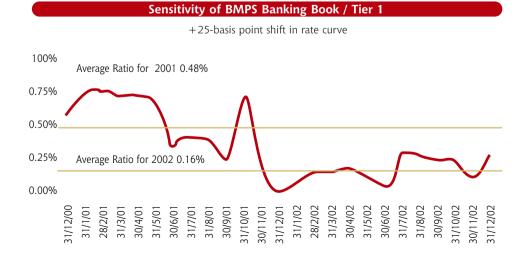
The measure of BMPS' risk as of 31 December 2002 on the assumption of the 200-basis-point shift -contemplated by the second fundamental aspect of Basle 2 -highlights the significance of the mismatching of the parent company vis-à-vis the mismatching at a group level, and also confirms the substantially neutral risk management of the aggregate.

#### BANCA MONTE DEI PASCHI DI SIENA

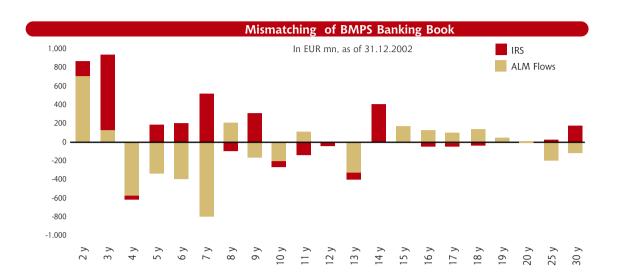
Risk indicators for shift of 200 basis points	31/12/2002	31/12/2001
Interest margin at risk / Interest margin	3.20%	1.45%
Economic value at risk / Tier 1 capital	1.88%	0.15%
Economic value at risk / Capital computed for regulatory purposes	1.36%	0.10%

The graph below illustrates the trend of the aggregate sensitivity of BMPS' Tier I capital to an interest-rate shock of 25 basis points, and thus facilitates a better understanding of the main operating events taking place during the year.

As shown by the graph, the sensitivity of the banking book rose over the year but remained at an extremely modest level in terms of risk. The main operating events influencing sensitivity were mainly related to the incorporation of Banca 121.



The graph below evidences BMPS' mismatching profile as of 31 December 2002.



#### ■ LIOUIDITY RISK

The monitoring of the structural liquidity profile is effected by quantifying the imbalances, by settlement date, in expiring cash flows in the first months of the time horizon over which the analysis is made.

A special emphasis is placed on the planning of the MPS Group's funding which is coordinated by the Finance Area of the Corporate Center, and which regards both normal funding through bonds as well as funding through subordinated debt issues, in accordance with the capital management needs. The various aspects of the planning are discussed and approved by the Finance and Capital Management Committee, in accordance with the authority vested with the same.

# ■ MARKET RISKS ON MPS GROUP TRADING PORTFOLIO

# ■ STRUCTURE OF PORTFOLIO, OPERATING LIMITS AND INSTRUMENTS FOR MONITORING MARKET RISKS

Operating limits for BMPS and the MPS Group are expressed in VaR terms (confidence interval of 99 percent and holding period of one business day) calculated with the historical simulation method. Levels of authority are established on the basis of the maximum acceptable loss limits on a monthly and annual basis; such limits simultaneously consider actual or potential earnings results and the measure of risk on open positions (VaR).



Likewise, sensitivity analyses are regularly carried out to measure sensitivity to parallel shifts of interest-rate curves, while ad hoc analyses measure volatility with regard to price risk.

The MPS Group trading portfolio was streamlined during 2002.

As part of this effort, the structures and operating criteria with respect to the centrally managed portfolios of the banks of the group were formally defined and were then put into effect in the second half of the year.

The portfolios are managed by the Finance Area of the Corporate Center in accordance with the terms, conditions, profit objectives and risks agreed with the various banks.

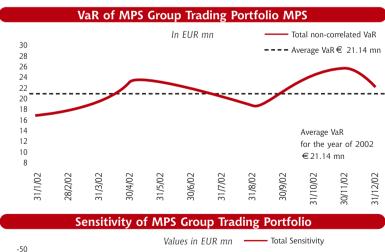
#### ■ RISK PROFILE OF MPS GROUP TRADING PORTFOLIO

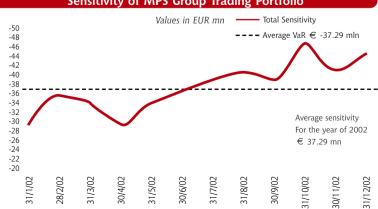
During the year of 2002, the market risk on the trading portfolio of the MPS Group was an average of around EUR 21 million (expressed in terms of non-correlated VaR).

The portfolios of BMPS and MPS Finance Banca Mobiliare accounted for the biggest

The portfolios of BMPS and MPS Finance Banca Mobiliare accounted for the biggest percentage of the MPS Group's overall risk, and both were managed in complete compliance with the delegation of authority provided by the respective Boards of Directors.

As of 31 December 2002, the MPS Group's non-correlated VaR (based on a confidence level of 99 percent and a holding period of one business day) was EUR 22.44 million, rising in comparison with the EUR 15.77 million recorded at the end of December 2001 and in line with EUR 22.28 million as of the end of June 2002.



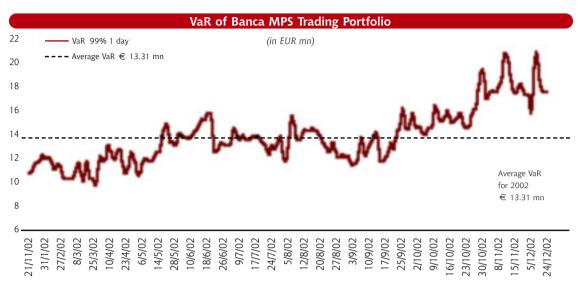


In terms of scenario analysis, the average annual sensitivity of the portfolio (calculated in the case of interest-bearing assets as a parallel shift of 25 basis points and in the case of equities, on the basis of historical volatility for the individual share prices) was equal to 0.77 percent of consolidated Tier I capital.

At the end of the year, the sensitivity was around EUR 44 million, or 0.86 percent of consolidated Tier I capital, and thus above the average for the year.

#### ■ RISK PROFILE OF TRADING PORTFOLIO OF BANCA MPS

Measured in terms of VaR diversified among risk factors, the aggregate risk remained between EUR 9.50 million and EUR 20 million, or less than the limits set by the Board of Directors.



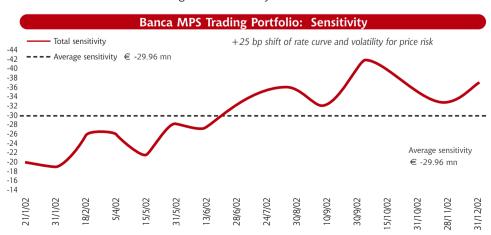
During the year, the VaR edged upward and as of the end of September, it was consistently above the annual average. On average, the equity risk factor had a greater weight (roughly 60 percent of non-diversified VaR) than the interest-rate factor.

Diversified among risk factors, VaR (99-percent confidence interval and holding period of one day) was at a low of EUR 9.52 million on 26 March 2002 and at a high of EUR 19.96 million on 19 November, averaging around EUR 13.31 million for the year.

#### ■ VAR BMPS - TRADING PORTFOLIO

	Value (EUR million)	Date
2002 low	9.52	26/03/2002
2002 high 2002 average	19.96 13.31	19/11/2002

Measured in terms of sensitivity, the market risks of the Banca MPS trading portfolio amounted to EUR 36.21 million or 0.73 percent of Tier 1 capital as of 31 December 2002; this value was above the average value for the year.





#### OPERATING RISKS

In 2002, the MPS Group continued with the pursuit of a project aimed at identifying, evaluating and measuring operating risks. The project is headed by the Internal Controls Department, with the involvement of the main companies of the Group and of various areas of the Corporate Center (Risk Management, Planning, Accounting, Organization, Purchasing, Legal, and the Operating Consortium).

The project adopts a dual approach based on qualitative analysis (concentrated on risk and self-assessment techniques of the principal processes of the companies within the MPS Group) and quantitative analysis (based on the systematic collection of data on actual losses and on the measurement of capital at risk through statistical Op VaR models).

During the year, qualitative analysis was completed with respect to 18 companies of the MPS Group, while quantitative analysis was carried out with respect to 10 companies. The analyses allowed for the detection of potential risks and risks which had actually materialized within the main companies of the group, as well as areas where the system of internal controls is deemed excessive or insufficient. Internally developed software applications were used for the analyses, and thus allowed for the creation of centralized data bases.

With the work carried out through this project, the MPS Group was able to collect information necessary for participating in two international studies promoted during the year by the Basle Committee for the final calibration of the New Accord on Capital: the "Loss Data Collection Exercise" and the "Quantitative Impact Study III".

In this regard, it is noted that the new "Basle II" accord will introduce an additional capital requisite with respect to operating risks which are to be calculated at a consolidated and individual level by applying one of three methods: Basic Indicator Approach (BIA), Standardized Approach (SA) and Advanced Measurement Approach (AMA).

During 2002, the MPS Group made its first specific estimates with regard to the new capital requirement and the application of the three methods. The results obtained by the MPS Group are in line with both the results of the leading national and international competitors, and in the case of the BIA and SA methods, the Basle target of 12 percent of the current requisites. The testing has also validated the objective of adopting the AMA approach as of the date on which the new Basle Accord enters into effect.

The MPS Group likewise continued to participate in the observation projects promoted by the Italian Bankers' Association for the creation of the Italian Database of Operating Losses, taking part in the data pooling initiative at a group level. It is noted in this regard that the use of external system data is one of the conditions for the adoption of internal models on operating risks.

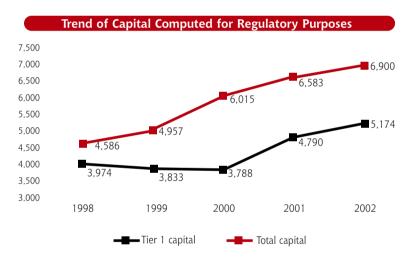
Finally, a project module was initiated for the definition of an integrated model for analyzing and measuring operating risks. The model will be based on both expert assessments and actual loss data, and will employ methods which are statistically consistent and in line with the qualitative-quantitative requisites for the validation of advanced approaches.

# CAPITAL AND CAPITAL REQUIRED FOR REGULATORY PURPOSES

s of 31 December 2002, the MPS Group's capital as computed for regulatory purposes amounted to EUR 6,899.6 million; the aggregate was thus EUR 316.8 million or 4.81 percent higher than the comparable figure at the end of 2001.

#### ■ CAPITAL COMPUTED FOR REGULATORY PURPOSES

	in EUR mn		
	31/12/02	31/12/01	
Tier I capital	5,160.1	4,789.6	
Tier II capital	2,530.1	3,142.3	
	7,690.2	7,932.0	
Deductions	790.5	1,349.1	
TOTAL CAPITAL FOR REGULATORY PURPOSES	6,899.7	6,582.9	



Trend of Assets Weighted for Credit Risk 80,000 75,000 70,000 73.279 71,255 65,000 67,400 60,000 57,411 55.000 50,000 45,000 42,889 40,000 35,000 30,000 1998 1999 2000 2001 2002

Tier 1 capital grew by 7.7 percent or roughly EUR 370 million, principally for the effect of: the capitalization of unretained earnings; the bonus capital increase involving the transfer to share capital of a part of the revaluation reserve set up under Law 342/2000; and the exercise of a put option issued to Banca Agricola Mantovana minority shareholders at the time of the public tender offer which transferred the control of the Mantua bank to the MPS Group.

The changes in Tier II capital and in the aggregates deducted from regulatory capital are in large part attributable to the overall positive impact of the sale of an investment held in San Paolo-IMI.

As measured in accordance with regulatory guidelines, assets weighted for credit risk totaled EUR 73.3 billion at the end of 2002. The balance is around 2.84 percent higher than the comparable figure for 2001 mostly due to the growth of the activity with the private sector,



#### **■** RISK ASSETS

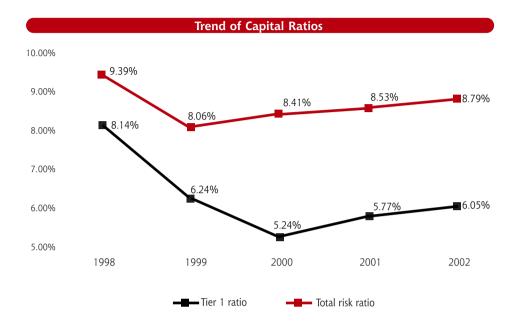
(in EUR mn)	Weighted	Value as of
	31/12/02	31/12/01
- Balance sheet assets:		
Assets backed by real property guarantees	0.1	0.1
Loans to governments, central banks and multilateral banks	711.2	753.2
Due from banks	2,031.6	2,457.5
Due from investment companies	0.3	5.5
Loans to the private sector:		
Residential mortgages – private sector	3,630.3	3,482.5
Non-residential mortgages – private sector	1,710.0	891.1
Other loans to the private sector	54,003.3	52,077.3
Equity investments weighted at 200%	21.0	9.8
Equities, equity investments and subordinated assets	1,502.4	1,966,3
Fixed assets 2.135,2	1,976.9	
Negotiable instruments for collection, accrued income and other assets	1,777.9	1,740.1
	67,523.3	65,360.4
- Off-balance-sheet assets:		
Guarantees released, commitments and derivatives contracts	6,958.7	6,952.4
- Less: loan amounts classified as "doubtful outcomes" and capital losses	-1,203	- 1,058
Total risk weighted assets	73,279.1	71,255.1

Considering market risks, subordinated loans of Tier III type to cover part of the market risks and other prudential requirements, the MPS Group's capital position for regulatory purposes at the end of 2002 was roughly EUR 673 million higher than the level required. The surplus capital thus expanded by about 51 percent in comparison with 31 December 2001.

#### ■ CAPITAL POSITION

	(in EUR mn)		
	31/12/02	31/12/01	
Credit risks			
on balance sheet assets	5,401.9	5,228.8	
on off-balance-sheet assets	556.7	556.2	
- Less: doubtful loans	- 96.2	- 84.6	
Total credit risks	5,862.3	5,700.4	
Market risks			
on trading securities portfolio	641.8	711.4	
including: - qeneric risk on debt securities	336.8	335.2	
- specific risk on debt securities	145.4	128.2	
- generic risk on equity securities	29.6	42.3	
- specific risk on equity securities	29.0	50.9	
- delta-plus options: gamma factor	0.1	1.0	
- delta-plus options: vega factor	0.9	5.1	
- risk on quotas in mutual funds	40.8	42.8	
- settlement risk	-		
- counterparty risk	59.3	106.1	
on concentration		1.4	
on foreign currency	7.5	29.4	
Total market risks	649.3	742.2	
Subordinated loans available to cover market risks	600.0	500.0	
Net market risks	49.3	242.2	
Other requirements	315.0	196.5	
Total capital required	6,226.7	6,139.1	
Capital for regulatory purposes	6,899.7	6,582.9	
Surplus capital	673.0	443.8	

The improvement mentioned above is also reflected in the capital adequacy ratios, with the total risk ratio at 8.79 percent versus 8.53 percent at the end of 2001, and the Tier I ratio at 6.05 percent versus 5.77 percent at the end of the prior year.





## **PROFITABILITY**

Ithough the operating framework was particularly difficult in 2002 and marked by the aggravation of the critical developments which took shape in 2001, the MPS Group achieved appreciable profitability results which serve to substantiate the operating policies inaugurated in previous years.

In coping with the market difficulties, the MPS Group promptly put into place new sales and marketing initiatives, as well as new measures to control risk and to monitor spending. Coordinated by the Corporate Center, the distribution networks and the product companies once again showed their capacity to adapt to the market environment, capitalizing fully on the commercial opportunities available. It was thus possible to implement actions aimed at controlling pricing, realigning the product/service portfolio to the realities of the marketplace, and ensuring the ongoing containment of costs (including through drastic reductions of certain budgeted amounts). This approach yielded dynamic earnings performance on the part of each of the principal areas of business. The table below shows the development of the principal profitability aggregates for 2002.

#### ■ RECLASSIFIED PROFIT AND LOSS STATEMENT (in EUR mn)

3	31/12/02		Absolute	%
		restated	Change	Change
Interest margin	2,346.6	2,201.1	145.6	6.6
Service margin	2,404.6	2,802.9	-398.3	-14.2
including: banking commissions paid by custome	rs 1,524.4	1,665.6	-141.3	-8.5
Total banking income	4,751.2	5,003.9	-252.7	-5.1
Administrative expenses	-2,908.5	-2,827.2	-81.3	2.9
including: personnel expense	-1,781.0	-1,711.2	-69.8	4.1
including: other expenses	-1,127.5	-1,116.0	-11.5	1.0
Gross operating profit	1,842.8	2,176.7	-334.0	-15.3
Minority interests	-90.0	-94.9	4.9	-5.2
Net profit for the year	581.8	618.8	-37.0	-6.0
Net profit adjusted to exclude amortization of positive				
consolidation differences and positive net equity differences	701.4	-31.1	-4.4	

Profitability highlights include:

- the growth of the interest margin, the by-product of higher volumes of loans and deposits and of improvement in the average spread;
- the sharp deceleration of the growth of administrative expenses;
- the virtual stability of net earnings (EUR 581.8 million) and of ROE (which went from 13.4 percent in 2001 to 12.1 percent in 2002).

#### ■ INTEREST MARGIN

The interest margin expanded by EUR 145.6 million or 6.6 percent, incorporating a greater contribution of the lending and deposit-taking business with ordinary customers as a result of higher volumes and more importantly, of a sound pricing policy which resulted in a 13-basis-point increase in the average spread on short-term maturities against an 8-basis-point decrease in the same at an industry level. This progress was particularly evident in the final of the year, with the interest margin for the period 8 percent higher than the third quarter of 2002 and the fourth quarter of 2001. A review of the individual commercial networks shows appreciable gains in the margin at the Banca MPS Division and Banca Toscana, while at Banca Agricola Mantovana, the aggregate was virtually stable.

#### ■ SERVICE MARGIN

The service margin totaled EUR 2,404.6 million, falling by EUR 398.3 million or 14.2 percent. Commissions and trading income particularly suffered from the critical situation in the financial markets and the significant uncertainty with regard to geopolitical factors. Though declining for the full year, the aggregate rebounded in the fourth quarter, rising by 93 percent in comparison with the third quarter.

#### ■ SERVICE MARGIN (in EUR mn)

	31/12/02	31/12/01	Change	% Change
		restated		
Profits (losses) from financial transactions	140.1	379.2	-239.1	-63.1
Commissions (*)	1,524.4	1,665.6	-141.3	-8.5
Other operating income	202.9	148.2	54.7	36.9
Dividends and tax credits	272.2	303.3	-31.2	-10.3
Net income from tax collection activity	228.9	251.5	-22.6	-9.0
Earnings of companies valued with net equity method	36.3	55.0	-18.8	-34.1
Total service margin	2,404.6	2,802.9	-398.3	-14.2

<sup>(\*)</sup> aggregation effected on the basis of operating criteria

The change in the aggregate includes the following:

an 8.5-percent reduction in customer commissions from the particularly high level in 2001, which reflects the deterioration of the market framework and a resulting significant decrease in the value of assets managed for customers and a lower rate of portfolio turnover. The situation prompted greater demand for low-risk investments and/or investments offering capital protection (income on indirect funding for the MPS Group fell by 22.8 percent in 2002, after significantly outperforming the industry average in terms of growth in 2001). These developments, which affected operations in the first nine months of the year, were particularly intense during the third quarter, and the actions undertaken thereafter allowed for a strong recovery in the final quarter of the year. Despite the overall decrease in commissions, all of the networks reported increases in banking commissions as a result of the sound management of pricing and the enhancement of the operational base; consolidated banking commissions thus rose by 11.6 percent for the year.



■ **COMMISSIONS** (in EUR mn)

Total commissions	1,524.4	1,665.6	-141.3	-8.5
Banking commissions	773.0	692.8	80.1	11.6
Income on indirect funding	751.4	972.8	-221.4	-22.8
		restated		
	31/12/02	31/12/01	Change	% Change

- a decrease of EUR 239.1 million with respect to the significant levels of profits from financial transactions posted in 2001. At EUR 140.1 million, the aggregate for 2002 incorporates the market difficulties and in particular, the absence of some EUR 66 million in income reported by the parent company, which suffered from the strongly negative performance of the stock markets even though its operating policy was well oriented to containing risks. As to the balance of the total, the decrease reflects the lower overall profitability (price/volume effect) of the activity of structuring financial engineering products;
- a decline of EUR 31.2 million in dividends and tax credits which is the net result of higher income from MPS Finance as a result of its structured products and the absence of EUR 133 million earned by BMPS in 2001 through an extraordinary dividend from Bell;
- a 9-percent reduction in net income from tax collection activity due to (i) the problems arising following the expiration of a "safeguard clause" and (ii) the delays in activity of tax assessment (further information is provided in the section regarding tax collection in the financial statements of Banca Monte dei Paschi di Siena S.p.A.);
- growth of the other operating income, which is mainly represented by revenues from the securitization of performing loans effected by the MPS Group;
- a 34-percent contraction in the earnings accrued on investments in companies valued with the net equity method. The figure for 2002 incorporates the net loss of MPS.net (still in the start-up phase), offset by the stability of earnings from the MPV Group (around EUR 55 million).

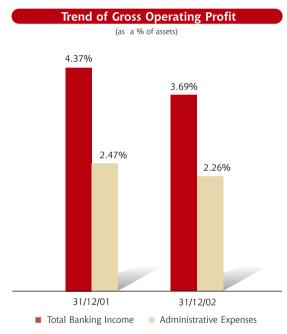
#### ■ TOTAL BANKING INCOME

Total banking income amounted to EUR 4,751.2 million, falling by a moderate 5.1 percent. Excluding profits (losses) from financial transactions and the Bell dividend received in 2001, the aggregate is 2.7 percent higher year on year. The performance was very positive in the fourth quarter, with the total rising by 40 percent over the third quarter and by 16 percent with respect to the average of the previous quarters. A review of the individual banks of the Group shows appreciable gains at Banca Toscana (+7 percent) and Banca Agricola Mantovana (+5.9 percent), while Banca MPS' total banking income declined as a result of various factors (as further detailed in the report on the Bank's operating performance).

#### ■ ADMINISTRATIVE EXPENSES

Although the MPS Group remained committed to important projects and initiatives to reinforce the infrastructure as part of its Business Plan, the rate of growth of administrative expenses in 2002 totaled only 2.9 percent in comparison with 8.1 percent in 2001. The slowing of the growth rate is the result of several actions inaugurated by the Corporate Center and aimed at the overhaul of the payables cycle, the attainment of more efficiency gains in operations, and the re-balancing of various aspects of the MPS Group. In this regard, Banca Toscana accrued the first benefits of the actions taken in recent years to restructure staffing, with personnel expense rising by only 1.1 percent in 2002. At the same time, Banca Agricola Mantovana sustained non-recurring charges in relation to the Group

information system migration, with a consequent increase in other administrative expenses.



- In comparison with 2001, personnel expenses rose by EUR 69.8 million or 4.1 percent, and remained in line with the amount budgeted at the start of the year. A good portion of the increase (roughly 1.8 points) is due to the renewal of the national labor contract as of April 2002; eliminating this factor, the growth of the aggregate decreases to 2.3 percent, which mainly represents the cost of additional staffing recruited in 2001 and assigned to the distribution networks (new branches) and the product companies handling innovative products (including some staff with highly specialized professional skills).
- Other expenses rose by a very limited 1 percent, which was well below the 12.8 percent increase posted in 2001. The deceleration of the growth rate can be attributed to the effects of several expense containment actions initiated during the year (non-IT expense project, Master Plan for ICT) and careful monitoring of the expenditures sustained by the Corporate Center with the collaboration of all the other units of the MPS Group.

#### ■ GROSS OPERATING PROFIT

56.5% 51,12/01 31/12/02

Trend of Cost-Income Ratio

(excluding depreciation and amortization)

 At EUR 1,842.8 million, gross operating profit decreased by 15.3 percent. Excluding profits (losses) from financial transactions and the Bell dividend received in 2001, the aggregate reflects a gain of 2.3 percent for the year.

Given the effect of the developments indicated above, the cost-income ratio (exclusive of depreciation and amortization) was 61.2 percent for the year of 2002, rising by 4.7 percentage points over the ratio reported at the end of 2001 (though net of profits (losses) from financial transactions and the Bell dividend, the increase comes to 0.1 percentage points only).



#### ADJUSTMENTS AND PROVISIONS

The accounts having the most significant impact on net earnings are reviewed as follows, and tend to confirm the MPS Group's traditionally conservative posture with regard to adjustments and provisions:

#### ■ ADJUSTMENTS AND PROVISIONS (in EUR mn)

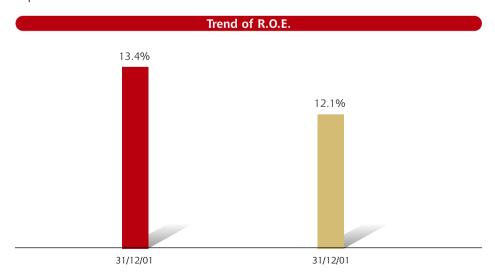
3	1/12/02	31/12/01	Change	% Change
		restated		
Valuation adjustments to fixed and intangible assets Amortization of positive consolidation	-406.2	-282.5	-123.7	43.8
and positive net equity differences	-88.5	-82.5	-6.0	7.2
Provisions for risks and charges	-42.4	-75.2	32.8	-43.6
Valuation adjustments to loans	-438.0	-321.9	-116.0	36.0
Provisions to loan loss reserve Valuation adjustments to non-current	-90.0	-57.1	-32.9	57.7
financial assets net of recoveries	-27.6	-21.6	-6.0	n.s.

- The valuation adjustments to fixed and intangible assets of EUR 406.2 million include the charges for the depreciation of buildings (EUR 64.6 million) and capital goods (EUR 106.8 million) and charges for the amortization of deferred charges (EUR 234.8 million), with the last figure including amortization "taken immediately" upon the assets which the parent company acquired through the incorporation of Banca 121 (EUR 48.3 million);
- The amortization of positive consolidation and positive net equity differences amounted to EUR 88.5 million;
- The provisions for risks and charges of EUR 42.4 million include charges sustained by the parent company to cover the renegotiation of subsidized mortgages - an issue concerning the entire Italian banking industry;
- Net valuation adjustments to loans in the amount of EUR 438 million include: EUR 26 million of lump-sum writedowns relative to performing loans (with the balance of the relative reserve rising to EUR 234 million), and an annual provision of EUR 33.4 million in relation to the securitization of non-performing loans in 2001;
- The provision of EUR 90 million to the loan loss reserve (EUR 57 million in 2001) is taken to boost the ratio of coverage of credit risk as well as to optimize the MPS Group's fiscal position and capital ratios; the reserve balance thus stood at EUR 355 million at year end:
- Net valuation adjustments to non-current financial assets in the amount of EUR 27.6
  million are mainly related to the writedown of certain holdings in the parent company's
  investment portfolio.

#### ■ EXTRAORDINARY ITEMS AND TAXES

- The profitability picture is rounded out by the following elements: Extraordinary items as detailed below:
  - Extraordinary income from realized capital gains on the sale of the controlling interest in Cassa di Risparmio di Prato (EUR 253.5 million, net of deconsolidation charge), the sale of a minority interest in Cassa di Risparmio di San Miniato (EUR 18.6 million, including EUR 3.4 million as deconsolidation income), holdings in Cedel (EUR 19.8 million) and Monte Titoli (EUR 7.8 million) and the sale to third parties of a 4.98-percent interest held in Banca Toscana by Banca Agricola Mantovana (EUR 15.1 million, net of deconsolidation charge);
  - Extraordinary charges which mainly consist of a provision to write down the value of the investment in BNL (per EUR 263.2 million); although this charge was not obligatory, management deemed it appropriate to adjust the carrying value of the investment to the market value of EUR 2.53 per share (further information on this transaction is provided in the notes to the financial statements) for conservative purposes;
- The use of EUR 85 million of the reserve for general banking risks, in order to provide for stability, in a fiscally efficient manner, of the profit results for the year (including in consideration of the transactions of a non-recurring nature taking place in 2002);
- The significant reduction of the tax burden mainly as a result of the non-recurring savings related to the actions taken to streamline the portfolio of equity investments.

Given the effect of the foregoing, consolidated net profit for the period came to EUR 581.8 million, declining by 6 percent with respect to 2001. Adjusted to exclude the amortization of goodwill, the net profit is down by 4.4 percent. With the objective of further boosting the capital base over the longer term (which benefited again in 2002 from the effects of the sale of the investment in San Paolo-IMI as described in the section regarding equity investments), a proposal will be made to the shareholders of Banca MPS to set aside to the extraordinary reserve the net gain of EUR 226 million realized on the sale of Cassa di Risparmio di Prato.





Finally, ROE for the year came to 12.1 percent compared with 13.4 percent for 2001.

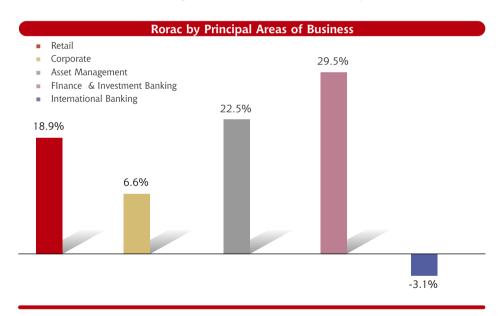
A review of the individual units of the MPS Group highlights the 16.1-percent growth of net profit at Banca Agricola Mantovana which benefited from extraordinary earnings in relation to the streamlining of its portfolio of equity investments, and a 2.6-percent increase in Banca Toscana's bottom line which had incorporated capital gains of EUR 27 million in 2001 (net of such gains, the growth rate is above 16 percent).

in EUR mn

Commercial Banks	Banca MPS		BANCA TOSCANA		BAM	
	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001
Interest margin Service margin Total banking income	1,295 1,571 2,866	3.0 -16.1 -8.4	519 335 854	7.3 6.5 7.0	257 277 534	-0.3 12.3 5.9
Gross operating profit	1,128	-22.7	370	16.1	218	-1.3
Net profit	600	5.5	125	2.6	102	16.1
	www.mps.it		www.bancatoscana.it		www.bam.it	

## PROFITABILITY BY BUSINESS AREA

he analysis of the performance of the principal Business Areas adjusted for risk (RORAC) yields the following results: the Retail and Asset Management areas performed well, with their RORAC in line with the levels reported by the main competitors. The corporate business area, whose returns on capital are traditionally lower, generated a RORAC of just under 7 percent. The deterioration of the economy significantly impacted the International Affairs Area activity which sustained a negative RORAC of 3.1 percent; the performance of this area was affected by the exposure, albeit limited, to various European corporations (the most important of which were Marconi and Metzler) and by the provisions taken to cover the potential losses relating thereto. Benefiting from a more discerning policy for containing risks and more efficient treasury management, the Finance and Investment Banking Area achieved a RORAC of 29.5 percent.



Following is a review of the key aspects of the results by Business Area:

#### ■ RETAIL

In 2002, the Retail Area (inclusive of the quota of production of the Asset Management areas) accounted for around 40 percent of the consolidated total banking income and more than 60 percent of banking commissions. In terms of volumes, the Area accounted for 55 percent of the MPS Group's aggregate funding and 18 percent of loans.



The initiatives undertaken in 2002 were focused on rounding out the range of products and services, and on intensifying business with various customer segments in line with the objectives of the MPS Group's Business Plan. In particular, the operational focus was on insurance products having a limited risk profile, and a guarantee of capital and minimum return. The unit also concentrated on developing the projects outlined by the Business Plan with the following initiatives in the start-up phase or already fully in process: the completion of the roll-out of methodologies and instruments for integrated CRM campaigns with respect to the family segment; the development of the personal financial plans and the support instruments in relation thereto; the introduction of the "Carattere" project in the affluent segment; and the activation of the decentralized management of highly personalized private-banking services. In accordance with the plans developed for 2003, the retail area will put the accent on selling account packages and developing the potential of the new personal-financial-planning service ("Carattere") as part of an effort to build stronger customer relationships (further information is provided in the section regarding innovation, research and development).

The product companies contributing to the Retail business area include:

The life insurance companies, Monte Paschi Vita, Ticino Vita, Grow Life and Quadrifoglio Vita (the last of which is 50-percent controlled by BAM): the premiums underwritten by these companies in 2002 totaled EUR 4,288 million, most of which related to ordinary policies.

As of year end, the companies had total insurance reserves of EUR 13,400 million, with roughly 16.7 percent growth over the total as of 31 December 2001. In terms of earnings, significant increases were realized by Grow Life (+75.4 percent) and Quadrifoglio Vita (+177.0 percent), while the profits at Monte Paschi Vita and Ticino Vita incorporate decreases mostly linked to a reduction in income on assets under management.

in EUR mn

Bancassurance	Мру	ita	Ticino	Vita	Grow	Life	Quadrifo	glio Vita
	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001	31/12/2002	% Change
Net profit	34	-12.0	4	-17.0	25	75.4	9	177.0
	www.n	npv.it	www.ticir	ovita.it	www.gro	wlife.ie	www.quadri	fogliovita.it

Rounding out the interests in bancassurance is the property-casualty company, Ticino Assicurazioni, which earned a profit of around EUR 5 million in 2002.

The table below reports the year-on-year growth of embedded value, the most significant indicator of the performance of insurance companies (and thus, not inclusive of the value attributed to the distribution networks). Embedded value is calculated as the sum of adjusted shareholders' equity, the present value, on the basis of statistical probabilities, of earnings expected from policies outstanding, and the cost of maintenance for coverage of the solvency margin; the calculations and the assumptions underlying the same have been verified by a leading independent audit firm. As of the end of 2002, MPV and its subsidiaries, Ticino Vita and Grow Life, claimed embedded value of EUR 590 million, an increase of 18.9 percent over the preceding year.

	Monte Paschi Vita Ticino Vita Grow Life
in EUR mn	
Embedded value as of 31/12/2002	590
Embedded value as of 31/12/2001	496
Increase in value	94
Dividends paid	24
Value added during the year	118
Value of production in 2002 (new business)	100

- MP Asset Management SGR: following the incorporation of three of the MPS Group's funds management companies (Ducato Gestioni SGR, G.I.Gest SGR, Spazio Finanza SGR) at the end of 2001, MP Asset Management SGR further consolidated its leading position in the asset management market. With a very difficult operational backdrop and some EUR 6,607 million of investments liquidated at an industry level, the company managed to hold net outflows to EUR 524 million, mostly as a result of net new investment in vehicle products (unit-linked instruments, in particular). For 2002, the company generated a gross operating profit of EUR 54 million and a net profit of EUR 27.8 million.
- MPS Finance: the company, which is a "factory" for the structuring of innovative-finance and financial risk-management products in support of the retail, corporate and investment banking areas, realized appreciable profit growth in 2002, with the bottom line advancing by 4.8 percent to EUR 74 million. The desk set up to support commercial activity (PFS and CFS) generated EUR 60 million in revenues, partly due to the sizeable production volumes for the year (products with a countervalue of EUR 2,300 million intended for the corporate segment and EUR 2,600 million intended for the retail segment). Revenues from investment banking activity were also high, totaling EUR 76 million for the year.
- effort in 2002, realizing significant results in terms of both marketing and earnings. This success can be partially attributed to the use of sophisticated information technology for the purpose of streamlining the chain of production. Disbursements for the year came to EUR 709 million, advancing by 43 percent over 2001. This increase allowed for improvement in the company's positioning vis-à-vis principal competitors: when measured on the basis of volumes, the company held a 3.16 percent share of the market for auto loans (compared with 2.36 percent of 2001) and a 4 percent share of the market for other consumer loans (3.24 percent in 2001). During the first half of the year, the company began promoting a new revolving credit card (M'honey) mainly to the family segment: by year end, a total of 31,000 accounts had been opened, with the outstanding credit in relation thereto amounting to around EUR 37 million. Considering the new volumes, the loans outstanding at year end had grown by 52 percent to a total of EUR 894 million. Significant progress was also made on the earnings front, with net profit rising to EUR 3.1 million from EUR 0.2 million in 2001.



in EUR mn

Retail product companies	MPS Fi	nance	MP Asset N	Agmt. SGR	Consu	ım.it
companies	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001	31/12/2002	% Change vs 2001
Banking income	165.0	4.4	106.3	-31.2	35.4	97.9
Gross operating profit	119.4	0.1	54.1	-49.3	20.3	n.m.
Net profit	74.1	4.8	27.8	-53.6	3.1	n.m.
	www.mps	finance.it	www.mj	osam.it	www.co	nsum.it

The banks contributing to the retail business area include:

- Banca 121: the institution was further integrated into the MPS Group with a merger by incorporation into BMPS as of 23 December 2002, and the concurrent spin-off of the innovative bank activity to the newly created Banca 121 Promozione Finanziaria.
- Banca Steinhauslin: the institution continued to pursue the consolidation of its position in the private-banking market, opening five private-banking centers and recruiting 52 relationship managers. The expansion of the organization yielded growth in the customer portfolio, and a significant increase in operational aggregates (in particular, funds under management). After incorporating the planned start-up expenditures, the bank sustained a net operating loss of EUR 14.8 million for the year.

#### ■ CORPORATE

The Corporate Area significantly boosted its contribution to consolidated profitability in 2002, accounting for some 42 percent of the MPS Group's banking income. The interest margin rose to an impressive EUR 1,404 million, totaling around 61 percent of the consolidated figure. In terms of volumes, the Corporate Area represented 71 percent of the Group's total loans, and 29 percent of aggregate funding.

From an operational perspective, the year's activities were mainly dedicated to:

- getting the Group's excellence centers which serve the area into full-scale operation (incorporation of MPS Leasing & Factoring and MPS Gestione Crediti Banca; enhancements to the product portfolios of MPS Finance, MPS Merchant and MPS Banca Verde; and development of specialized projects by MPS.Net);
- product innovation carried out in collaboration with MPS Finance with respect to corporate risk-management products whose placement volumes rose rapidly;
- promotion of the new service model for the SME and small business segments;
- the start-up of the marketing of an account package (Impres@più) which is expected to improve the MPS Group's positioning in the market for corporate banking products; the plans for 2003 envision a further emphasis by the networks on corporate packages, along with the products supplied by MPS Finance and the insurance companies (further information is provided in the section regarding innovation, research and development).

The specialized-lending and service companies supporting the corporate area also logged significant improvements:

- Mps Merchant Banca per le P.M.I: the bank focused on its new mission pursuant to the Business Plan, and namely, that of developing into the MPS Group's excellence center in providing small- and medium-sized companies with financing and services (some of which are related to the so-called "territorial pacts" and "area contracts" and supply of services under Italy's Law n. 488). During the year, the bank made significant strides in developing the project- and acquisition-financing business, serving as an advisor or arranger for prominent national and international sponsors of medium- and large-scale projects. As part of its service to the equity markets, near year end, the bank started up operations of a subsidiary, MPS Venture SGR S.p.A., while it also began marketing closed-end funds, the subscriptions to which are now in process. At EUR 1,545 million, the loans disbursed in 2002 were up by a substantial 39.2 percent with respect to the prior year. Improvements were also achieved in terms of profitability, with all principal margins increasing: operating earnings rose by 26.5 percent to a total of EUR 80 million, while net profit advanced by 29.2 percent to EUR 30.1 million.
- Mps Banca Verde: the institution embarked on a reorganization to become the MPS Group's excellence center in serving the agricultural, agro-industry and environmental sectors, distributing products and services through various channels. Loan disbursements experienced significant growth, rising by 69.4 percent over 2001 to a total of EUR 703 million. At the same time, the stock of outstanding customer loans rose by 30.1 percent. During the year, the bank focused on developing a wide range of advisory services with regard to the environment and the farming industry (programs for accessing government financing; implementation of quality systems; loan-related services; etc.). On the earnings front, the bank reported a net profit of EUR 9.2 million versus the EUR 7.6 million posted in 2001, with part of the gain due to extraordinary income of EUR 3.1 million.

in EUR mn

Corporate product	MPS N	MPS Merchant		MPS Banca Verde	
companies	31/12/02	% Change vs 2001	31/12/02	% Change vs 2001	
Interest margin	73.1	20.4	30.2	-4.9	
Total banking income	111.3	25.8	35.6	0.0	
Gross operating profit	80.3	26.5	18.1	-12.6	
Net profit	30.1	29.2	9.2	21.1	
	www.mps	www.mpsmerchant.it		ıcaverde.it	

Mps Leasing & Factoring Banca per i Servizi Finanziari alle imprese: serving mainly businesses, the company completed its transformation into a captive leasing/factoring product factory after having acquired the BMPS leasing and factoring unit at the end of the first half and having incorporated Merchant Leasing & Factoring S.p.A. during the third quarter. In terms of operations, the company further expanded production volumes, with the leasing contracts signed rising by 26.8 percent to EUR 1,819 million and with factoring turnover climbing by 2 percent to EUR 3,711 million. As a result, the net profit totaled EUR 11 million.



#### ■ INTERNATIONAL AFFAIRS

In 2002, the International Affairs Area accounted for 5.2 percent of the MPS Group's total funding, 4.8 percent of loans, and 2.7 percent of consolidated banking income. Considered altogether, the MPS Group's foreign banks sustained a reduction in profitability for the year. Monte Paschi Banque, whose net profit declined by 23.2 percent to EUR 9.3 million, and Banca Monte Paschi Suisse, whose earnings contracted by 50.9 percent to EUR 0.3 million, were adversely impacted both by market trends and by special legislation in Italy that facilitated the repatriation of capital from abroad ("tax shield"). Monte Paschi Belgio suffered a loss of EUR 6.5 million versus a virtual breakeven in 2001, mainly due to more conservative value adjustments against possible credit losses.

#### ■ INTERNATIONAL BANKING ACTIVITY

importi in milioni di euro	Net profit	Change vs	% Change vs
	31/12/2002	31/12/2001	31/12/2001
Monte Paschi Banque	9.3	-2.8	-23.2
Banca Monte Paschi Belgio	-6.5	-6.6	n.m.
Banca Monte Paschi Suisse	0.34	-0.36	-50.9
Banca Monte Paschi Channel Island	0.11	-0.11	-47.7

#### ■ TAX COLLECTION

The Tax Collection Area contributed roughly 4 percent of the MPS Group's banking income. The BMPS results from direct collections are flanked by:

- a net loss of EUR 52.5 million at Monte Paschi Serit versus a loss of EUR 58.5 million in 2001: In 2002, the company benefited from a series of measures aimed at the recovery of operating efficiency. A significant effort went into the settlement of advances previously made with respect to obligatory tax payments, and the collection of amounts due from the Region of Sicily. As a result of the reimbursements, the company realized a substantial EUR 146 million reduction in its average financial deficit and an increase of EUR 4.6 million in the financial margin. The pursuit of policies to control spending generated further results in 2002, with operating expenses decreasing by EUR 3.2 million. These initiatives helped to mitigate the negative impact, in terms of revenues, of the following factors: (i) a sizeable reduction of the amounts collected as "taxcollection agent indemnity" in 2002 compared with those accrued in 2001 in relation to the "safeguard clause"; (ii) the freeze in the billing of taxes and late-payment notices for most of the first half of 2002; and (iii) the huge delay in the release of new information processing programs. The results for the year were also impacted by provisions to the risks reserve that were significantly lower than in 2001 due to the settlements of pastdue amounts and to a reduction (from 100 percent to 25 percent) of the level of capital at risk in relation to the mandates in effect (as provided by Law n. 265 of 22 November 2002).
- a net loss of EUR 1.36 million at Gerit, whereas Sorit, Padana Riscossioni and BAM Riscossioni all reported losses of a smaller magnitude.

#### ■ FINANCE & INVESTMENT BANKING

The Finance and Investment Banking Area contributed around 7 percent of total banking income. The area embraces: proprietary finance activity (as described in greater detail in the section of the Bank's financial statements regarding the securities portfolio): the investment banking activity of MPS Finance; and the activity of Intermonte Securities SIM, whose results are summarized below:

■ Intermonte Securities Sim: the negative performance of the equity markets continued to take its toll on the firm's trading activity (with equity trading volumes down by 11.8 percent in comparison with 2001). Despite this situation, the firm continues to boast a significant market presence, as demonstrated by its substantial market share (4.92 percent) and by its ascent to the second-ranking position in the classification of Italian intermediaries in 2002 (from fourth place at the end of 2001). With the sluggish market adversely impacting primary market transactions, the corporate finance business was not significant over the past year, even though the firm did serve as an institutional manager for one sizeable placement (Pirelli & C. Real Estate). Net profit amounted to around EUR 29.6 million versus EUR 32.8 million in 2001.



## ORGANIZATIONAL STRUCTURE

### ■ MAIN INITIATIVES IN ORGANIZATIONAL DEVELOPMENT

n 2002, the MPS Group moved further ahead with the adjustment of its organizational structure and changes in commercial strategy, in accordance with the divisional configuration contemplated by the Business Plan. Rules were established for interaction between the various elements of the production-distribution chain, as part of a drive to optimize the effectiveness of sales and marketing.

The MPS Group's current organizational model is based on the following components:

- strategic planning and coordination: Corporate Center;
- distribution: commercial banks and specialized companies;
- products/services: excellence centers and product companies.

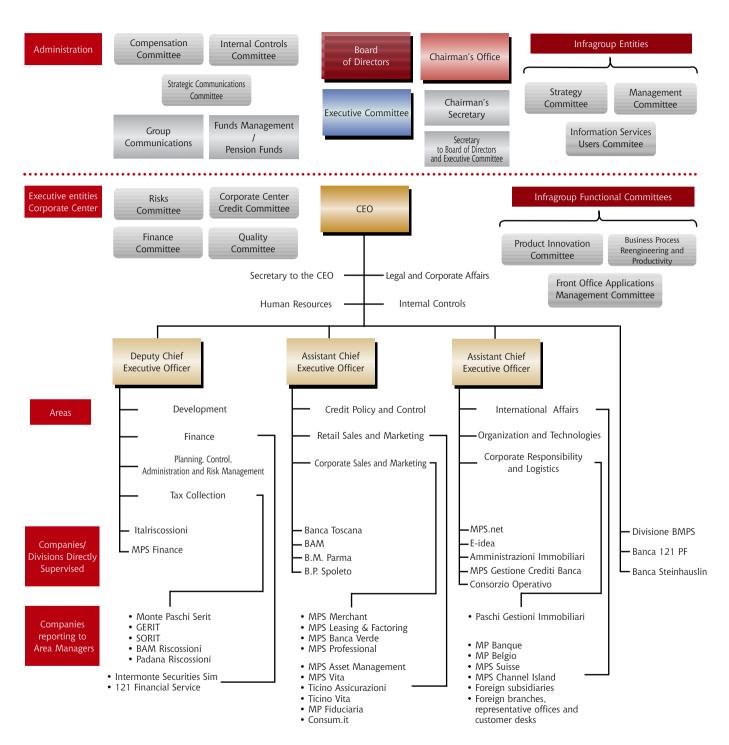
Precise roles and responsibilities have been defined within this overall framework: the product companies and the distribution networks concentrate on the core business activity, while the Corporate Center is the focal point for strategic planning, coordination, support, and the analysis of results. The Corporate Center executes its functions with the maximum transparency and with the involvement of other areas of the MPS Group so as to facilitate improvement in segment performance.

As indicated in the introductory section regarding the implementation of the Business Plan, a series of projects has been inaugurated for the purpose of boosting operating efficiency; these projects are being carried out along with other initiatives aimed at consolidating the organizational structure and better defining the product companies, and with strategic actions to update the service model for the retail and corporate segments (as further detailed in the section regarding innovation, research and development). The MPS Group has made a major commitment to two crucial projects: the re-engineering of the lending process and the development of a single information system.

In order to coordinate this broad array of strategic initiatives, many of which are interrelated, the MPS Group created a specific program for logging all organizational components of the various projects, and classifying the same into a single framework. The reporting and registration of the data were concluded in 2002, while the implementation plans for each company and the matrices of the sources and uses of resources are to be completed in 2003.

The chart on the following page provides detail on the MPS Group's organizational model.

#### MPS GROUP ORGANIZATIONAL MODEL



Approved: 15 April 2002



#### ■ CHANGES IN BRANCH ORGANIZATION AND IN LENDING PROCESS

Alongside the efforts to streamline operations (creation/expansion of centralized marketing, back-office, purchasing, property-management and other units), the MPS Group has

#### ■ PROJECT TO INCREASE EFFICIENCY OF THE COMMERCIAL BANK NETWORKS

- The project focuses on two specific areas:
- efficiency gains with the parent company and branches to be achieved through realignment and optimization of operational duties;
- the re-engineering of branch operating processes.
- As part of the project, the MPS Group has designed and built a system for tracking the use of

resources by process (transactions, sales and marketing, support, etc.).

- This benchmarking system allows for:
   aligning the operations of the branches to the best practices within the MPS Group:
- identifying in detail the critical areas of processes;
- continuously measuring the impact of changes to processes (including in advance, during the design phase).

emphasized a project to boost the efficiency of the commercial bank networks aimed at a strong recovery of profitability.

The program to increase efficiency is expected to serve as a premise for the design and execution of other strategic projects provided by the Business Plan which have significant implications with regard to commercial productivity and the improvement of efficiency.

In 2002, the efficiency project was inaugurated at the test bank (Banca Toscana), with all of the phases expected to be complete by the end of 2003; the

work at the MPS Group's other banks will mostly yield results as of 2004.

#### ■ THE RE-ENGINEERING OF THE LENDING PROCESSES

The re-engineering of the loan disbursement systems continued in 2002, with the objective of obtaining the most effective relationship between the risk-return ratio and absorbed capital, and consequent improvement in the governance of risk.

The implementation of the projects has also taken into account the provisions of the new

#### ■ STATE OF THE ART IN RE-ENGINEERING THE LENDING PROCESS

- Retail disbursements: scoring procedures are already in place for the approval of revolving credit cards, mortgage loans and small loans
- Small business disbursements: the software has already been designed and is now being released by BMPS.
- Large corporate and financial institutions disbursements: the new procedures for credit approval have

been brought on stream, and include formulas for assessing creditworthiness and assigning ratings; they will be integrated into the approval process for new credit facilities as well as into the revision of existing facilities.

• Performance management: the release of a system for the retail, small business and SME segments is planned for the second half of 2003.

Basle Accord on capital adequacy, with the internal counterparty rating becoming the common point of reference for calculating regulatory capital requirements and for activation of the loan disbursement and monitoring systems (further information on capital adequacy is provided in the section regarding integrated risk management).

The initiatives in this area have focused on streamlining and standardizing pre-disbursement (preliminary inquiry) activity across the MPS Group so that the various banks have a single, standard perception of risk. The information processing tool

developed for this purpose, the "Electronic Credit File", was initially used by BMPS and Banca Toscana, and was brought on stream at Banca Agricola Mantovana in 2002.

During the year, the MPS Group introduced the procedures to be used for initial disbursements to customers belonging to the small business segment and for loan review and approval in the large corporate segment.

The new system for disbursements to small business customers will optimize the risk-return trade-off and maximize operating efficiency, resulting in better customer service. In consideration of the high number of applications to be processed, the review and approval process will be simple, and will generate a response that includes a credit rating and qualitative assessments of the analysts.

The programs for 2003 include the release to the network in the second half of the year of the "performance management" system which started in the final months of 2002. This system, to be implemented with respect to all borrowers, defines the rules and logic for the classification of positions, while employing early-warning signs amongst its various techniques.

While awaiting the release of the performance management system and in consideration of the present economic situation, the MPS Group is installing a system for tracking credit risk to supplement the warning instruments currently available with the credit rating.

Another key objective at the group level is the definition of common strategies for active management of the loan portfolio with the use of counterparty credit ratings as the main element determining the qualitative mix of the portfolio. In this regard, strategic guidelines on specific business areas or customer segments are communicated to the network and are used in reconfiguring the credit mix of the MPS Group's portfolio.

#### ■ DEVELOPMENT OF A SINGLE INFORMATION SYSTEM

The development of information systems and applications for use by the entire MPS Group is not only essential to supporting the new business and service/product models delineated by the Business Plan, but it is also a step toward the achievement of significant gains in competitive standing and efficiency.

During the year, further progress was made in the perfection of the MPS Group's Master Information and Communications Technology (ICT) Plan, which aims at optimizing ICT spending, by matching investments with the operating needs and with the strategies provided by the Business Plan. In order to facilitate the full-scale implementation of the Master Plan and to round out the framework for controlling ICT costs, a new policy for planning and managing ICT projects at a group level was defined in 2002, with the relative group directive approved thereafter.



#### ■ DISTRIBUTION CHANNELS

In 2002, the MPS Group re-affirmed its strategy to operate an integrated, mutiple-channel distribution network which envisions, on the one hand, the expansion of the portfolio of products and services available, and on the other hand, the increased usage of the electronic banking channels. In terms of distribution, the MPS Group employed an increasingly more pronounced divisional approach in tandem with its customer-centric marketing strategy.

In line with the strategies detailed in the Business Plan and with each MPS Group company's mission, the Expansion Plan for 2002 limited the growth of the branches, and placed the priority, instead, on qualitative criteria geared toward optimizing and streamlining the network. In particular, the Plan emphasized the following strategies:

- assigning the individual banks of the MPS Group specific areas of new branch openings which are consistent with their respective backgrounds and missions;
- avoiding overlap with the existing network.

#### ■ TRADITIONAL NETWORK, ATMs AND POS TERMINALS

As of 31 December 2002, the MPS Group was operating a total of 1,791 branches in Italy, and another 262 financial boutiques run by Banca 121 Promozione Finanziaria (which absorbed similar units previously operated by BAM).

#### ■ MPS GROUP DISTRIBUTION NETWORK

Channel	31.12.02	31.12.01	Change
		restated	
Domestic branches (*)	1,791	1,761	30
Financial boutiques	262	256	6
Total domestic sales outlets	2,053	2,017	36
Foreign offices	37	43	-6
Financial advisors	1,512	1,719	-207
ATMs	2,312	2,282	30
POS terminals	62,920	58,504	4,416

(\*) Considering the branches of the Group's specialized lenders, the number of domestic branches is equal to 1,827

As of the same date, the foreign network consisted of six branches and six representative offices operated directly by the MPS Group, and 25 banking facilities owned by foreign affiliates of the MPS Group. With the restructuring of the foreign network and the consolidation of synergies at a group level, the five representative offices previously operated by Banca Toscana were transformed into customer desks and absorbed into the BMPS branches located in the same financial center (additional details on the changes are provided in the section regarding international banking activity).

During the year, the number of branches dedicated to private banking was increased, and as of 31 December 2002, in addition to the 12 branches run by Banca Steinhauslin, the MPS Group had 32 private-banking facilities between the BMPS private centers and the BAM executive centers. Similar centers are to be inaugurated at Banca Toscana in the first quarter of 2003.

As part of the drive to build up the specialized lending business, another three representative offices of MPS Merchant were opened in 2002, bringing the total to 17 at year end. Instead, MPS Banca Verde closed out 2002 with 19 offices, in comparison with the 12 operating at the end of 2001.

Altogether, in 2002, the domestic network of the MPS Group expanded by 1.7 percent, and as of year end, the Group commanded market share of 6.0 percent.

The expansion of the network during the year was mainly concentrated in the southern and northern regions of the country, thereby smoothing out part of the historically high concentration in Tuscany.

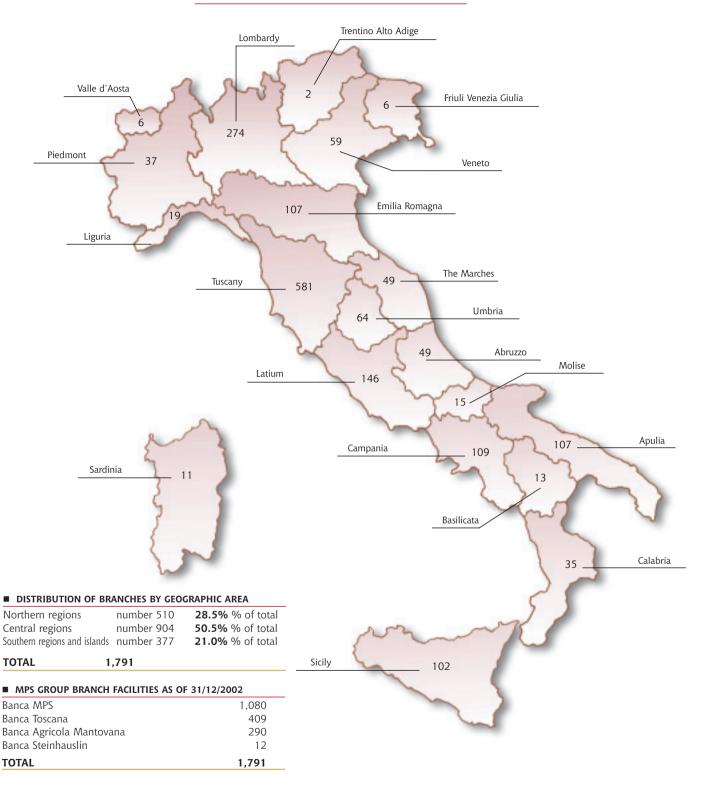
The weight of the branches in the southern and northern regions thus climbed from 20.2 percent and 27.5 percent, respectively, at the end of 2001, to 21.1 percent and 28.5 percent, respectively, at the end of 2002. Meanwhile, the weight of the branches in the central regions shifted from 52.3 to 50.5 percent.

The numbers of ATM facilities and POS terminals in operation were also higher in 2002, rising by 1.3 percent and 7.8 percent, respectively.

#### ■ FINANCIAL ADVISORS

At the end of the year, the MPS Group formally launched Banca 121 Promozione Finanziaria, a new institution staffed by financial advisors which is charged with marketing financial products and services to prospect customers in the affluent segment (assets of more than EUR 50,000). As of 31 December 2002, the MPS Group had a total of 1,512 financial advisors.

### MPS GROUP BRANCHES IN ITALY



#### ■ ELECTRONIC BANKING CHANNELS

In 2002, the MPS Group moved ahead with projects initiated in 2001 to round out the contents of the Internet service and the WAP service, and to update and standardize the e-banking systems.

# ■ DISTRIBUTION OF BANKING SERVICES THROUGH ELECTRONIC BANKING CHANNELS Contracts In Effect

Channel	31.12.02	31.12.01	%	% of To	tal as of
		restated	Change	31.12.02	31.12.01
Internet banking	520,736	434,501	19.8	43.3	45.0
Mobile telephone banking	140,012	123,863	13.0	11.6	12.8
Telephone banking	471,689	366,858	28.6	39.2	38.0
Television banking	6,086	6,936	-12.2	0.5	0.7
Opifici digitali and B2B	5,252	211	-	0.4	0.0
Corporate banking via Internet	59,119	32,583	81.4	4.9	3.4
Internet banking - public entities	189	-	-	0.0	-
TOTAL	1,203,083	964,952	24.7	100.0	100.0

Headlining the initiatives involving innovative channels was the early 2002 launch of the corporate Internet banking service, which was marketed under various brands by the commercial banks of the Group. With a significant number of customers logging on and using the service, it was possible to realize a reduction in the cost-to-serve, especially with respect to small businesses. The end of the year marked the roll-out of the cash- and treasury-management modules of the corporate Internet banking service, with the MPS Group capturing the leading position in the segment thereafter. Both modules secured UNI EN ISO 9001 certification from Det Norske Veritas (DNV).

For the retail segment, the Group defined a project for migrating certain types of transactions to electronic banking channels, in accordance with the strategies mapped out in the Business Plan for the family segment. Given the positive results of a pilot program at BMPS, this project will be activated at the MPS Group's other banks in 2003. The objective of the project is to move roughly 30 percent of transactions currently handled by the branches to lower cost channels over the 2003-2005 period (a total of roughly 137 million transactions per annum).

In the second half of the year, the mobile-telephone banking service was further enhanced with a new application available across the MPS Group whereby customers can order money transfers directly from their telephones. At the same time, the integrated financial desktop service (as discussed further in the section of e-banking and payment systems) was made available to all banks of the MPS Group.

The e-banking services of BMPS' direct banking channels secured ISO 9001/2000 certification and the EBTrust qualification for the Internet and Wap site.

The MPS Group networks also began marketing the services of Opifici Digitali, a horizontal portal designed and managed by MPS.Net, and by year end, over 5,200 contracts for the service had been signed.

Opifici Digitali incorporates a comprehensive array of online services designed to boost the



competitive standing of small- and medium-sized firms, and features systems for managing relationships with suppliers, distributors and customers; services for intensifying marketing activity; e-commerce showcases; and online courses for specialized training.

#### ■ Professional Network

During 2002, further progress was made with the start-up of MPS Professional, an innovative channel dedicated to the creation of a new bank-business-professional relationship. As another part of the Business Plan, this initiative is aimed at putting together a network of consultants whose services can be paired with those of the MPS Group, and offered through various distribution channels. The ultimate objective is to optimize corporate relationships, particularly with small- and medium-sized companies operating in industries with strong growth prospects. MPS Professional is expected to be operational during the first half of 2003.

#### HUMAN RESOURCES

#### **■ STAFFING**

As of 31 December 2002, the MPS Group has a total of 27,517 employees on the payroll (actual work force of 27,580), and thus had a decrease in staffing of 115 on an annual basis.

With the objectives of raising the qualitative calibre of the work force, expanding the base of "intangible assets", and lowering overheads, various changes were made to the Group's staffing in 2002: a total of 170 senior employees, including 21 executives, left the MPS Group under retirement incentive plans during 2002, while another 185 employees (Banca Toscana and Banca Agricola Mantovana) took advantage of exit provisions offered under a Solidarity Fund; new recruits mainly consisted of young people (most of whom are university graduates with honors) and professionals with specialized experience (most of whom were placed in the product companies and in the Corporate Center).

Another 330 employees, including 47 executives, will leave the Group in 2003 pursuant to early retirement programs agreed at the end of 2002.

The table below shows the distribution of the work force by operating area, and is based on the actual assignment of the employees rather than the source of their payroll:

#### ■ MPS GROUP WORK FORCE AS OF 31/12/02

	N°. of Employees	%
Banca Monte dei Paschi di Siena	12,587	45.6%
Corporate Center	968	3.5%
BMPS Division	11,433	41.5%
International (*)	186	0.7%
Banca Toscana	3,981	14.4%
Banca Agricola Mantovana	3,163	11.5%
Banca 121 P.F.	217	0.8%
Banca Steinhauslin	240	0.9%
TOTAL ITALIAN BANKS	20,188	73.2%
Foreign banks	524	1.9%
Product companies	1,503	5.4%
Service companies	2,367	8.6%
Operating Consortium	2,036	7.4%
Other	100	0.4%
Tax collection	2,659	9.6%
TOTAL COMPANIES CONSOLIDATED		
ON A LINE-BY-LINE BASIS	27,341	99.1%
Insurance	150	0.5%
Other companies	89	0.3%
TOTAL GROUP	27,580	100.0%

<sup>(\*)</sup> Foreign branches and representative offices

A Human Resources Management Plan implemented in line with the Business Plan provides for integrated programming and management of (i) processes designed to generate the maximum return on the investment in human resources at a group level and (ii) qualitative/quantitative personnel issues which arise in the activation of strategic projects.



The objectives of this plan include: the enhancement of professional skills (with pronounced specialization along the entire chain of value); the retraining of resources freed as a result of changes in the organization (to reinforce sales and marketing capacities and to ensure coverage of needs for new professional skills); and improvement of productivity. This project involves changes affecting the organization, and it is to be supported by a broad-based training effort that will take place in advance of some projects and alongside others.

Against this backdrop, the staffing at various central units underwent an organizational revision which paved the way for more intelligent use of the resources at the Corporate Center and at the Head Offices of the commercial banks; the process will continue in 2003, 2004 and 2005, in accordance with the Plan.

#### ■ STAFFING IN CENTRAL UNITS

	31/12/02	31/12/01	Change
Corporate Center	968	1,059	-91
BMPS Division	479	545	-66
Banca Toscana	471	615	-144
Banca Agricola Mantovana	510	733	-223
TOTAL	2,428	2,952	-524

The table below shows the distribution of the MPS Group's work force by job category.

#### ■ BREAKDOWN OF STAFF BY IOB CATEGORY

Category	Actual Number	% of Total Work Force
Executives	609	2.2%
Senior/Middle/Juniors managers	6,447	23.4%
Other professional areas	20,524	74.4%
TOTAL	27,580	100.0%

#### **■** Training and Professional Development

A Training Plan outlined and implemented in 2002 has defined a series of broad-based and important initiatives aimed at (i) ensuring the professional skills needed vis-à-vis the levels of responsibility and specialization required, and (ii) enhancing employee involvement and motivation.

The programs are focused on immediately providing an effective response to training and communications needs related to the implementation of numerous projects, and creating an integrated training system for the Group over the short/medium term. The design and activation of an e-learning system and the creation of a network of instructors for the MPS Group represent fundamental steps toward the construction of the integrated system.

There are three, inter-related aspects to the system: activity to support organizational development and management of change (with priorities placed on needs related to the retail and corporate sales and marketing platforms); professional families (marketing managers, operations managers, branch managers, account managers in the affluent segment, managers of SME accounts, and so forth); and professional communities (Management and Middle Management, Talents, Instructors).

During 2002, the emphasis went to courses designed to provide a better understanding of the Business Plan, so as to reinforce the knowledge of front-office staff with respect to the projects to develop new service models specialized by customer segment. The courses were also aimed at strengthening management skills.

Specific recruiting and career-pathing programs have also been implemented with a view toward getting the most value out of the young "talents" of the MPS Group.

The implementation of various projects is considered significant to the actual governance of human resources, including:

- a new model for managing and developing the personnel (assessment of skills, professional growth plans, career paths, substitution plans, compensation policies, and bonus compensation) and;
- the development of a new information system, which will cover the administrative areas involved: time and labor (reporting), payroll (compensation), and human resources (general records, resumes and other information).

Finally, another two initiatives are worth noting:

- the construction of a management-by-objectives (MBO) model for top managers of the MPS Group; this model outlines specific objectives that are highly correlated with the implementation of the Business Plan and based on: the concept of maximizing the integration between units; performance evaluation; and the relationships with the compensation system;
- the start-up of a process aimed at the creation of a "statement of intangibles" to be realized through developing systems for monitoring and developing intellectual capital (knowledge, capacities, values, motivation, team spirit, know-how, innovation, communications).



### INNOVATION. RESEARCH AND DEVELOPMENT

n line with the provisions of the Business Plan, the focus on innovation in 2002 went to the sales and marketing policies, and to product and service enhancements. The changes implemented were based on a customer-oriented logic, with the current, significant uncertainty and volatility of the financial markets obviously given due consideration.

### **■** COMMERCIAL PROGRAMS

The renewal of the retail and corporate service models is considered an essential aspect of the strategic actions involved in the implementation of the Business Plan. Over time, these projects have entailed changes to technology, methodology and parts of the organization, while they have also been firmly focused on the issue of transparency in customer relationships.

#### ■ RETAIL MARKET: SERVICE MODELS

#### **■ Family Segment**

During the year, the Group laid the foundation for the creation of a distinct commercial platform for the Family segment. Meanwhile, the activity related to the CRM program continued to develop, including a specific project to migrate customers to remote channels. The migration has two objectives:

- to guarantee more effective and efficient management of the products and services;
- to free resources, especially front-office resources, for use in sales, marketing and advisory activity.

The migration project was launched at BMPS and will be extended to the other banks of the MPS Group in 2003. In addition, the MPS Group initiated a specific study of purchasing behavior with respect to the Family segment given this segment accounts for about two-thirds of the customer portfolio (further information is provided in the section regarding the customer portfolio).

#### **■** AFFLUENT SEGMENT

The service model for the affluent segment incorporates a highly personalized approach to the customer relationship. On the one hand, the investor has an account manager as a point of reference for the planning of investments and retirement/social security schemes. On the other hand, the manager follows a limited number of customers, thereby allowing him to better understand customer needs, to guarantee a high level of

#### ■ "CARATTERE" COMMERCIAL PLATFORM

The "Carattere" platform is designed to change the bank-customer relationship. With this service, the relationship is no longer based on a temporary perception of the customer's needs, but rather on information procured over time from working closely with the customer. "Carattere" is a sophisticated form of personal financial planning that allows

for defining a customer profile, identifying any social security shortfalls, and optimizing the management of the customer's portfolio.

Using highly innovative software, the account managers are able to provide the customer with an accurate analysis of his/her investments in terms di asset allocation, risk and return.

service and to develop a relationship with the customers over time. From this perspective, the highlight of the past year was "Carattere", the sales and marketing platform especially devised for the Affluent customers of the MPS Group.

By the end of the year, the "Carattere" service was available in most of the BMPS and BAM branches. The introduction of the service at Banca Toscana and at the other banks is to be completed by mid-2003. The results to date indicate a high approval rating on the part of the customers, who view the

new service as a specific endeavor by the Bank to meet their needs.

#### ■ Private-banking Segment

The MPS Group embraced a new strategy for private banking in 2002, the key elements of which include the creation of a private-banking platform managed by the Corporate Center and the planning of a project dedicated to the segment (further information is provided in the section regarding the implementation of the MPS Group Business Plan).

This translates into a dedicated service model through which a financial management relationship is transformed both culturally and operationally into a relationship in which the financial institution takes over total management of the customer's assets.

In becoming a point of reference for the private-banking customer, the bank must satisfy an array of customer needs, including in the area of estate planning. The transformation of the relationship thus implies going from a purely financial logic to a concept of asset management, from an individual to a family, and from one to two or more generations. Thus, in this regard, BMPS is aiming at becoming the customer's trusted advisor, with the relationship manager (supported by a series of specialists) becoming the customer's main point of contact for putting together an integrated portfolio of services.

#### ■ CORPORATE MARKET: SERVICE MODELS

#### ■ CORPORATE SERVICE MODEL FOR SMEs AND SMALL BUSINESSES

• The new service model for the SME segment was tested at the BMPS branches located in Lombardy. The model contemplates dedicated physical distribution channels ("SME centers" consisting of teams of SME managers), and corporate service centers conceived as Group "financial communities" and located in various areas of the country. The latter centers will be staffed by specialists from the product companies and the new relationship managers who will be responsible for insuring an integrated supply of MPS Group

products and services on a continuous basis. The new service model is to be extended to the MPS Group's entire commercial network in 2003.

■ The organizational model for the small business segment provides for the introduction of a Small Business line supported by SB account managers, who will take the place of the previous "Company Line" managers. The efforts of the managers following the SB customers will be coordinated by a Segment Manager at the parent-company level.

In the corporate market, the organizational initiatives were aimed at providing businesses with support in two key areas:

- quantitative growth (expansion);
- qualitative growth (improvement in competitive positioning).

The activity in 2002 was mainly focused on the revision of the structure of the branch network, with a redefinition (in planning terms) of the service model, and an accent on marketing various products and services by customer segment (small business, SME, large corporate, financial institutions & insurance cos., and public-sector entities).



To support the corporate service model, the MPS Group embarked on the implementation of a customer-relationship-management system that will serve as a hub of marketing intelligence. The CRM system will be used for compiling, optimizing and monitoring information about customer insights, interaction and satisfaction.

#### ■ E-BANKING PROJECT AND PAYMENT SYSTEMS

As part of its strategy to build a network of multiple distribution channels, the MPS Group updated all e-banking systems and standardized all e-banking services. As a result, the Group has an e-banking system which provides a uniform level of customer assistance and serves as the basis for developing a more market-oriented approach to contact management. In the second

#### ■ RETAIL E-BANKING PROJECT

The principal objectives and developments of the project include:

- enhancements to the portfolio of products and services available to retail customers through multiple distribution channels;
- migration of transactions toward remote channels, with particular reference to the family segment, and

the ongoing release of programs incorporating new aspects of service;

growing integration between the services provided on a remote basis (via Internet, call centers, mobile telephones, ATMs) and the services provided directly by the individual banks of the MPS Group (via branches, financial advisers). half of the year, a significant effort was dedicated to bringing the services offered by BAM in line with those provided by the other banks; this entailed, amongst other things, the introduction of a new navigation program for the home-banking platform which is oriented to the promotion of products available to customers, as already done by the other banks in the first half of the year.

In addition, the "Integrated Financial Desktop", an information and financial advisory platform for home-

banking applications and company intranet systems, was extended to all of the banks. The platform was further enhanced in 2002, both with internal services to support the personnel operating the system (test reporting of real-time information sourced through the Internet with reference to the Italian Stock Exchange) and with contents and opportunities for customers (extension of the service for inputting orders for the purchase/sale of foreign securities to include the London and New York Stock Exchanges, with the Eurozone markets already online in the first half of the year).

The MPS Group's e-banking initiatives were flanked by enhancements to the MPS Finance portal (www.mpsfinance.it). With these enhancements, MPS Finance became the first financial services firm in Italy to offer a type of user profiling that allows for diversifying the supply of products offered in relation to the type/segment of the customer accessing the Web site.

MPS Finance also inaugurated an organized trading system, De@IDone Trading (DDT),

#### ■ THE BANKPASS WEB SERVICE

This product integrates and rounds out the supply of e-commerce services in that allows individuals to effect purchases through various Web sites without having to provide details on payment instruments (which thus do not travel over the Internet). The service has also introduced an innovative option

whereby payment can be effected with an ATM card. Finally, given the generation of the virtual PAN (a disposable password), it is also possible to pay for goods and services purchased through sites not belonging to the Bankpass service by requiring a valid PAN which expires after the payment authorization

which reached the second-ranking position in terms of volumes traded in the secondary market for corporate securities. With this B2B service, individuals, SMEs and other corporate investors can buy and sell securities quoted on the DDT platform through member banks which directly execute the orders on the market. In making available a new, efficient and transparent framework for dealing in the bond market, this system has had a significant impact on the MPS Group branches.

The use of the Bloomberg Electronic Trading (BET)

system was also intensified in 2002. This system, which is used for bond trading, is basically the first B2B trading channel activated within the De@IDone platform.

With a series of controls effected in the second half of the year, the ISO 9001/2000 certification of the e-banking services of BMPS' direct banking channels was re-affirmed, and an EBTrust Qualification was awarded for the Internet and Wap sites.

In the area of innovative payment systems, the MPS Group has participated in various projects coordinated by the Italian Bankers' Association (IBA). Given its participation in the E-committee (an association set up by the IBA to promote the development of the e-banking in Italy), the MPS Group debuted a platform in December dedicated to the consumer market; the platform is used for accessing the "Bankpass Web" service, a new national standard for ensuring safe payments via the Internet.

The MPS Group plans the marketing and sale of the platform during the first half of 2003. The mobile-commerce front has witnessed the development of another nationwide system, "Bankpass Mobile". The user requirements for this system were finalized in December, for both P2P transactions (only transfer of funds between individuals) and C2B transactions (purchases of goods and/or services via SMS). The MPS Group was involved directly in developing the testing of Bankpass Mobile, and will be the first national banking institution to market and sell the new service during the spring of 2003.

The project promoted by the IBA is the so-called e-bulletin, a service that will provide payment advices through the Internet (e.g. Freccia) issued by private- and/or public-sector entities participating in the initiative. This service is expected to be on the market by June 2003.

#### ■ Credit and Debit Cards

In the area of bank credit cards, the MPS Group rounded out the array of products available to businesses and the higher end of the retail market (upper affluent and private-banking customers) with the respective issue of CartaSì Business Oro and CartaSì Platinum cards.

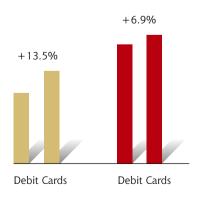
With the changeover to the euro prompting more widespread use of electronic cash instruments, and modifying market demand, the MPS Group, like some of its peers, introduced a new debit card which gives customers and non-customers a simple payment instrument: a pre-paid Bancomat and Pagobancomat card to bearer, marketed under the name "EUROPRIMA".

During 2003, the MPS Group plans to initiate other phases of the prepaid card project, with the planned release of a prepaid card that can be issued in a specific name and used for cash withdrawals and international payments (Visa or MasterCard). This card would also

At the same time, the MPS Group formalized the two-year renewal of an agreement with ACI (Italian Automobile Club) and Diners for the marketing and sale of a co-branded card, and approved the addition of the University of Siena in the program, Siena Card - Le Chiavi della Città.

incorporate an option for renewing the available credit.

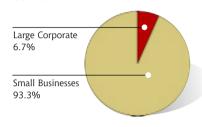
Growth of Credit and Debit Cards in 2002



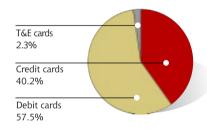
#### ■ NUMBER OF CARDS AS OF 31/12/02

Credit cards	824,453
Debit cards	1,058,372
TOTAL CARDS	1,882,825
Individual cards	1,840,126
Corporate cards	42,699
TOTAL CARDS	1,882,825

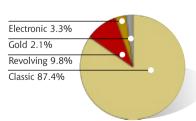
CORPORATE CARDS



INDIVIDUAL CARDS



BANK CREDIT CARDS



With the help of the marketing and product-development initiatives, the number of payment cards issued to customers of the MPS Group rose by 8.5 percent to 1,885,000 as of 31 December 2002:

- the number of credit cards outstanding climbed 13.5 percent to 824,000; the high profitability on this product is linked to the number of active accounts which, at 77.5 percent of the total, were above the industry average;
- the number of debit cards was 6.9 percent higher, to end the year at around 1,058,000.

The MPS Group is also a participant in the Microcircuit Project promoted by the Italian Bankers' Association for managing the planned changeover from magnetic-strip to microchip technology for payment cards. The MPS Group's commitment to this project embraces testing of the various components of the payment card system (cards, POS terminals, ATMs and systems) in March-June 2003 in the pilot cities of Lecco, Alessandria, Prato and Taranto. The project will be inaugurated at an industry level as of July 2003 and is expected to be completed by the end of 2005.

On the consumer credit front, Consum.it has launched a new revolving credit card marketed under the name M'Honey card (further information is provided in the section regarding consumer credit).

#### ■ CONTACT CENTER

Organizational changes during 2002 included the start-up of the BMPS Corporate Contact Center which will operate alongside the Retail Center. The new unit, which incorporates the typical activity of a Call Center, is a responsibility center that will interface with the network with regard to the marketing, technical and training aspects of the corporate account relationships.

In its first year of activity, the Corporate Contact Center was involved in various programs, including: several campaigns covering innovative finance products; the sale of PaschilnAzienda; the promotion of Opifici Digitali; and the support of a commercial agreement with the National Insurance Institute for Industrial Accidents ("INAIL") (further information is provided in the section regarding the corporate market). The unit generated satisfactory results in terms of redemption.

In the case of the Retail Contact Center, the activity has increasingly taken on a more marketing-oriented approach in order to support distribution policies based on the divisional design of the MPS Group banks and the segmentation of the customer base.

#### ■ PRODUCT INNOVATION

As the MPS Group has organized distribution by divisions based on customer segments, it has also developed a more diversified product portfolio, including products specifically designed to increase cross selling.

#### RETAIL MARKET

Taking into account the performance of the financial markets and the economy, the product innovation efforts in the retail market in 2002 were geared toward satisfying the needs of customers with a marked preference for liquid investment products offering protection of the capital invested.

#### Direct Funding

The research and development activity focused on reinforcing medium-/long-term funding tools, with diversification of the bond issues. An emphasis was also placed on the definition of account packages, which are standardized by customer segment across the MPS Group. The packaging of products (banking, insurance and leisure-time services) is designed to maximize cross selling and the possibilities for customers to do business with the Bank through an array of distribution channels.

This orientation prompted the development of the "PaschiPac bonds": BMPS bond issues paired with a plan for investing in mutual funds. The new package provides for (i) the purchase of a bonded loan whose principal and interest are paid on a periodic basis, and (ii) participation in an investment plan involving a wide choice of mutual funds, with the funding for the investments derived from the interest and principal payments on the bonds. This product - which has mainly been marketed to the affluent segment - allows customers to enter the stock market on a gradual basis.

#### ■ Funds under Management

The product innovation effort involved several key initiatives in the mutual-fund and bancassurance segments.

#### ■ Mutual Investment Funds

The product portfolio was reorganized in 2002 as the natural outcome of a drive to streamline the MPS Group's presence in the mutual fund market. The reorganization began at the outset of the year with Monte Paschi Asset Management SGR absorbing Ducato Gestioni SGR, G.I. Gest SGR and Spazio Finanza SGR. The new array of mutual investment funds has made the MPS Group's portfolio particularly competitive in terms of commercial options. The MPS Group's presence in the mutual fund market also includes Ducato Portfolio, a fund of funds with various sub-funds and managers. Given the access to various



# ■ RESTYLING OF THE MPS GROUP'S SUPPLY OF THE MUTUAL INVESTMENT FUNDS

■ The restructuring of the funds managed by Monte Paschi Asset Management SGR was completed on 25 November 2002, with three families of funds (Ducato, Spazio Finanza and Quadrifoglio) being united under the "Ducato" name. As a result, the names of all funds were changed, seven new funds were introduced, and the investment policy

of several funds was altered;

The array of products now available includes 55 different products belonging to the "Ducato System" (with the possibility for the investor to choose between funds specialized by industry, geographic area and even investment style) and 11 sub-funds of the Ducato Portfolio fund of funds styles of investment through this fund, it is possible to construct a portfolio in line with the customer's risk-return expectations. The marketing and sale of products managed by MPS Alternative Investments SGR was also inaugurated in 2002. The company made its debut in the market for "alternative investments" with three funds of hedge funds that feature various managers and a series of different strategies. As of 31 December, the company had achieved satisfactory results with placement of the new funds (further information is provided in the section regarding funds management). MPS Asset Management Ireland Ltd, an Irish-law company

headquartered in Dublin, opened for business in early 2003. Operating through a special-purpose SICAV (Bright Oak Plc), the new company offers 54 investment sub-funds (additional information is provided in the section regarding material events subsequent to year end). Product innovation in 2003 is expected to include the restyling of the Ducato Portfolio fund of funds, whereas the planning of the marketing of the first pure speculative funds is already at an advanced stage.

#### ■ Bancassurance

The restyling of the entire range of traditional products was completed in 2002, with a view toward the containment of financial risks and the preservation of the commercial appeal of the products themselves.

The success of the "Bussola Reddito" policy introduced in the final quarter of 2001 continued to highlight the placement of traditional products of the retail area. With its guarantee of the capital invested and a mechanism to convert interest earned into cash, the policy is mainly designed to meet the needs of Family segment customers, and in particular, savers who put their funds into administered accounts.

In index- and unit-linked products, the priority went to the development of products offering guaranteed return and/or guarantees of the capital invested.

#### **■** Innovative Finance

As part of its Personal Finance Solutions (PFS) activity, MPS Finance has developed a catalogue of innovative finance products which are able to capitalize immediately on the needs of a continually changing market. The company's portfolio now includes 21 different types of structures, with varying terms (from two to five years) and various types of indexing mechanisms (from interest rates to exchange rates). Each of the products offered is supported by a macroeconomic analysis.

In consideration of the changes in the business scenario in 2002, the company mainly developed structured instruments with limited risk which guaranteed the reimbursement of principal and a minimum return. MPS Finance's products for the corporate segment are reviewed in the section regarding the corporate market.

#### ■ Private-banking products

The research and development activity was focused on the construction of a comprehensive and integrated portfolio of personalized products, including an array of financial services as well as advisory services for art and property investments, and for legal and tax questions. Highlights include:

- the offer of a portfolio investment service based on optimizing all of a customer's assets;
- the start-up of activity to identify a portfolio of innovative-finance and insurance products dedicated to private-banking customers.

In 2002, the private-banking units of the MPS Group dedicated much attention to a capital repatriation program sponsored by Italian law ("tax shield"). The roughly EUR 1.1 billion of new funding tapped as a result of this legislation is deemed quite positive, especially considering the MPS Group's limited presence abroad and in the northern regions of Italy. With the deadlines for capital repatriation having been extended, the MPS Group is carrying out a series of marketing initiatives that directly involve the sales networks and private-banking personnel, including specific meetings organized with various categories of the individuals involved. Information on the development of the MPS Group's private-banking network is provided in the section regarding distribution channels.

#### Consumer Credit

The banks of the MPS Group initiated the marketing of the new revolving credit card, M'Honey, issued and managed by Consum.it, the MPS Group's consumer credit company. The product offers services and conditions which put it at the top end of the market for similar cards, as shown by the roughly 86,000 accounts activated as of 31 December.

As the MPS Group's single excellence center in consumer credit, Consum.it plans to continue pursuing an expansion strategy in 2003 centered on the objective of stronger positioning in the markets for revolving credit cards and personal loans.

The business of mortgage financing also witnessed certain product innovations in 2002, with BMPS debuting two new types of loans:

- Mutuo Evento: this mortgage, which is the product of a working agreement reached with S.U.N.I.A. (Italian Union of Tenants and Recipients), gives the borrower the option of suspending the payment of installments for a period of up to 18 months without paying any penalties;
- Mutuo Gran Premio: this product is available to customers who have paid off other types of loans in accordance with the agreed terms and conditions.

Banca Agricola Mantovana launched "Mutuo Mio", a mortgage with fixed monthly payments whose term varies in relation to the trend of interest rates.

The MPS Group is studying various other possibilities for developing the mortgage lending business, including the offer of a package that would pair certain types of mortgage loans (the most popular) with insurance policies organized by customer segment (family, affluent and private), so as to provide for coverage of risks based on the borrowers' activity. Another project is addressed to the further simplification of the credit approval process and the resulting reduction in disbursement time.



#### ■ CORPORATE MARKET

An extensive effort was undertaken in 2002 in terms of product innovation, marketing, and online services for corporate customers - especially the small- and medium-sized companies that have long been the MPS Group's core customer base (further information is provided in the section regarding the customer portfolio).

As part of this effort, a series of measures was formalized in order to optimize the production-distribution chain. Through these measures, the MPS Group will be able to extract greater value from the operations of the commercial networks and product companies, and to enhance the content of standardized and customized products by adding new features that are distinct from the competition and by ensuring a time-to-market appropriate to the changes in the fundamental scenario. During the year, the MPS Group implemented other measures to integrate the specialized lending products with innovative solutions for the management of the financial risks and working capital. In asset-and-liability management services, the MPS Group launched a total of 30 structured finance issues and 16 products to hedge interest- and exchange-rate risks; these products were mainly developed by MPS Finance (further information is provided in the section on innovative

of 2003.

#### ■ MAIN MARKETING INITIATIVES

- The adjudication, as part of a limited group of banks, of a contract awarded by the National Insurance Institute for Industrial Accidents ("INAIL") for the financing of modifications to corporate facilities in order to bring the facilities into compliance with the security and safety standards established by Legislative Decree 626/94. The MPS Group emerged as the leader among the banks involved, providing financing for roughly 40 percent of the applications submitted:
- Execution of a commercial agreement with the Bellisario Foundation for the nationwide support

- of entrepreneurial initiatives by women;
- Co-participation in a new school for management training which is to be used for developing managerial skills within small-/medium-sized companies and government entities;
- Participation, as a founding partner, in "Charme Investment S.C.A.", a finance & investment company owned by a group of prominent investors in Italy and abroad, which aims to bring together the business community and the banking industry to share in the promotion and development of highpotential opportunities in the privateequity sector.

### MPS Group launched its "Export Key" product which allows customers to hedge country risk, thus favoring export flows. In the leasing and factoring businesses, the new product company, MPS Leasing & Factoring, is committed to process/product innovation and changes in distribution that will provide an increasingly more effective service to the customers. For example, the company launched a new nautical lease at the most recent International Boat Show in Genoa. A project to develop a corporate currentaccount package also reached an advanced stage in The package, which will be marketed principally to the small business segment, will offer a series of integrated services useful to a company's business development. The sale of the product, which will bear the name "impres@più", will begin at

finance). The placement of specific insurance products

with corporate customers was also significant and was

supported by the input of MPS Vita. In addition, the

The product/service range was further expanded with "composite" products, namely, products which respond to specific needs of the corporate world and which combine loans, leases, deposit accounts, insurance policies and other services. The MPS Group also embarked on several important initiatives on the marketing front and in online services to support SMEs (further information is provided in the section regarding the e-banking project). An Internet

all of the banks of the MPS Group in the first guarter

#### ■ BUSINESS DEVELOPMENT FOR CORPORATE CUSTOMERS

The principal initiatives of the year included:

- the start-up of an over-the-counter derivatives project to respond to market demand for a broader base of derivatives products for certain customer segments. The project has a dual objective: to meet the needs, mainly of corporate customers, for the hedging of interest- and exchangerate risks; the investment needs manifested in other customer segments;
- with reference to the development of a multiple-channel distribution

network: the launch of the Internet banking Arianna Office.net. product Banca Toscana bν BamCorporatePlus by Banca Agricola Mantovana, which will flank BMPS' similar product, PaschiInAzienda; the placement of MPS Net's Opifici Digitali service which marks the start of the marketing of products for digitizing business transactions; and the development of the MPS Professional Network initiative (further information is provided in the section regarding distribution channels).

corporate banking service was introduced at the outset of 2002, and sold by the commercial banks under various brand names. With a significant number of customers logging on and using the service, it was possible to realize a reduction in the cost-to-serve, especially with respect to small businesses. At the end of the year, a specific module for cash and treasury services was added, with the MPS Group thus capturing a leading position in the sector. The cash and treasury services both secured UNI EN ISO 9001 certification from Det Norske Veritas. During the year, various programs were promoted to reinforce the MPS Group's leading position in providing subsidized credit facilities pursuant to various Italian laws (Law 488/92 covering capital subsidies, Law 215/92 addressing business initiatives by women, and the negotiated planning involving the so-called "territorial pacts" and "area contracts", etc.). In the bancassurance business, the MPS Group has marketed traditional policies to corporate customers, with the "Propensione" product proving to be the most successful and the one with the greatest potential for further development in the future.

#### **■** Innovative Finance

The array of products developed by MPS Finance for the corporate segment includes the new "Corporate Finance Solutions (CFS)" line offering distinct instruments by specific customer segments: SMEs, large corporates, public entities, cooperatives, social-welfare entities and foundations. Such instruments are placed by the personnel of the banks of the MPS Group

#### ■ CORPORATE FINANCE SOLUTIONS FOR SMEs

The production activity has been focused on the two areas of asset-liability management:

• Innovative finance products (asset management), with the offer of several structured products with a relatively short term (from 6 months to 3 years) and indexed products,

most of which are linked to exchange-rate and interest-rate parameters;

 Protection products (liability management), with hedging structures available through simple or complex IRS mostly to cover liabilities under existing credit facilities. who are ultimately responsible for the business relationships with end customers.

In addition to the services provided to the SME segment (see box), the CFS contemplate a new area of operations in terms of customized products for companies and public entities having more sophisticated demand for financial solutions.

During the year, MPS Finance set up two specific organizational units dedicated to institutional investors in Italy and abroad:

- Institutional Finance Solutions (IFS), whose mission is to develop a dedicated distribution channel to Italian customers (especially, small-/medium-sized banks);
- International Finance Solutions (XFS), which has been given the mission of: consolidating and expanding the current base of international investors and issuers serviced by MPS Finance; and solidifying the relationships with the foreign units of the MPS Group, for the purpose of providing them with the entire range of investment-banking products and services already distributed in the domestic market.

#### ■ Government Entities

As part of the corporate platform, the MPS Group has carried out a project to develop "MOVE Enti", a unique service model and integrated portfolio of services and products which meet the needs of public-sector entities which are increasingly becoming more



#### ■ SERVICING ACTIVITY FOR THE PUBLIC SECTOR

The MPS Group acts as:

- a provider of liability-management services:
- an arranger in asset securitization transactions):
- an advisor in the privatization and/or market listing of publicsector companies (pharmacies, utilities, etc.);
- a consultant in the sale of public property;
- a consultant and investor in special-purpose companies set up as part of project-financing programs;
- a financial advisor for the development and the privatization of utility and/or multi-utility companies.

independent in terms of their operations and management. Public-sector entities are thus becoming attractive target customers for financial, advisory, IT and other services.

During the year, new Internet services and the first products of MPS Net for digitizing business transactions were marketed to public-sector entities. The key initiatives are listed below:

The Internet banking project, PaschilnTesoreria, was realized to meet the needs of government and non-profit entities in general (national retirement funds, national professional associations, etc.). The "PaschilnTesoreria" and treasury/cash service sold

through the branch network were awarded UNI EN ISO 9001:2000 certification in 2002, thereby helping the MPS Group to reinforce its image with respect to government managers and to increase the quality of the services provided on public contracts (further information is provided in the section regarding quality management systems);

- "Medical Plaza" is a package of integrated services and systems to facilitate greater control and management with respect to spending on healthcare;
- "Comuni online" is an e-business solution planned especially for local governments;
- In addition, the MPS Group offers other purchasing services to improve procurement practices of government entities and corporations, and which involve competitive and efficient supply channels.

With a view toward consolidating the service to the public sector, the MPS Group is now developing a range of innovative services for the management of financial risks which is well correlated with the prevailing regulations.

Finally, the MPS Group's interest in "territorial pacts" and "area contracts" extended to protocols of intent with the Region of Tuscany and the Region of Umbria which provide for recourse to various EU facilities and other measures included in regional development plans.

#### ■ COMMUNICATIONS AND PUBLIC RELATIONS

The communications and public-relations efforts in 2002 were geared toward the consolidation of the results achieved in terms of image-building and brand recognition for the Group, with a preference for print-media initiatives.

The development of the "Carattere" project for the Affluent segment included the design of a specific brand, the preparation of a creative line, the personalization of sales points, and the production of materials to support the launch of the marketing campaign.

With analysts and fund managers demanding more and more information, the investor relations team dedicated much of its effort in 2002 to a series of measures designed to render the MPS Group's strategic image and earnings profile increasingly transparent.

#### ■ INVESTOR RELATIONS

The principal initiatives undertaken during the year regarded:

- the organization of a road show, with Top Management presenting the new Business Plan to investors in major European cities;
- speaking engagements by Senior Managers at several important European banking conferences, including: the "Banking Sector Symposium" organized by Fortis in Amsterdam, the "Italian Banking Conference" organized by Morgan Stanley in Stresa, the "European Financial Conference" organized by Goldman Sachs in Venice, the "Italian Conference" organized by Chevreux in

Forte dei Marmi, and the "Italian Banks' Tasting" organized by Deutsche Bank in Erbusco. Through these initiatives and those directly at the head office, the MPS Group's executives had the opportunity of meeting over 150 financial analysts and asset managers.

Finally, the investor relations unit orchestrated four conference calls with investors upon the publication of operating results for the periods ending 31 December 2001, 31 March 2002, 30 June 2002 and 30 September 2002

Within the MPS Group, information is disseminated through an inhouse newsletter, "Filo Diretto", which has become a principal employee communications tool. During the year, the regular editions of the newsletter were flanked by special features dedicated to themes of particular interest: the 2002 strategic plan and the opening of the thousandth branch of BMPS. Another communications instrument is "Montepaschi News Interna", an employee newsletter sent via e-mail.

In addition, a project is under way to create a group corporate portal that will eventually produce a single intranet/extranet system incorporating the local systems of the individual business areas and companies.



# MPS GROUP'S COMMITMENT TO ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

In 2002, the MPS Group continued to pursue its commitment to support environmental protection and more in general, to corporate social responsibility, with a view toward consolidating and further developing initiatives in process.

Important strides were made with the actions to favor eco-compatible development following the creation within the Corporate Center in 2001 of a permanent unit to serve as the planning and strategy-making body for the entire MPS Group in relation to socio-environmental issues.

# ■ MPS GROUP'S PARTICIPATION IN INTERNATIONAL ORGANIZATIONS ACTIVE IN CORPORATE SOCIAL RESPONSIBILITY

- United Nations Environment
  Programme (UNEP): the UN program
  for environmental protection and
  sustainable development. BMPS was
  the first Italian bank to become a
  member of the program, with
  participation beginning in 1998
  together with MPS BancaVerde, and has
  been part of work groups operating in
  accordance with the UNEP-FI (Financial
  Initiative):
- World Business Council for Sustainable Development: Operating from a head office in Geneva, the WBCSD is the world's leading organization for analysis of issues

- relative to sustainable development;
- CSR Europe The Business Network for Corporate Social Responsibility: The network operates in close contact with the European Union, and is aimed at assisting firms to achieve profitability while they also pursue sustainable development and human progress, making corporate social responsibility one of their principal business practices;
- Sodalitas: Set up by Assolombarda (Association of the Industrialists of Lombardy), and several of its members (including banks), the organization is the Italian partner of CSR Europe, and is particularly active in its work with SMEs.

In order to improve its strategic positioning in the sector, the MPS Group became a member of several organizations committed promoting corporate social responsibility. The participation in these organizations will ensure significant visibility of the MPS Group, while also providing an ongoing flow of information in relation to current initiatives, trends and developments both at a national and international level.

After becoming part of the World Business Council for Sustainable Development, the MPS Group opted

to participate in a project entitled "Sustainability in the Financial Industry", joining a special work group whose members include other major European banks and insurance companies. The project has a dual objective:

- to analyze the potential effects of sustainable development on the core business of the financial services industry and the contribution which the industry can make to sustainable development;
- to identify the business opportunities available to companies in the financial services industry for the commitment to sustainable development.

The work group's conclusions were documented and presented to the Global Summit on Sustainable Development held in Johannesburg from 26 August to 4 September 2002.

Another highlight of the past year was the publication of the BMPS Socio-Environmental Report for the year of 2001, which provides a summary of social, ethical and environmental aspects of the MPS Group's activity. The report was presented to the public on 3 October 2002, and earned a special award during the "Oscars for Financial Statements and Financial Communications 2002", an annual event organized by the Italian Public Relations Federation

in Milan on 2 December.

In the meantime, additional progress was made with the implementation of an environmental management system to ensure the proper use of internal resources. This was a necessary step for the ISO 14001 certification obtained on 26 February 2003, as reported in the section of this report regarding material events subsequent to year end.

During the year, BMPS endorsed two important international standards for safeguarding employment and protecting the environment: Global Compact, a UN initiative promoted by the Italian Bankers' Association; and the Sustainability Agreement - SA 8000, the first

# ■ EMAS CERTIFICATION AND ADDITION OF BMPS TO THE FTSE4GOOD AND DISI RATING SYSTEMS

In affirming the increasing strategic value of social responsibility within the MPS Group, the BMPS Board of Directors approved two other important projects in 2002 for the purpose of obtaining:

- EMAS certification, which involves a significant technical-organizational commitment and impacts the environmental activity of all areas of the MPS Group;
- the addition of BMPS to the

FTSE4Good rating system (produced by the Financial Times Stock Exchange), and Dow lones Sustainability Group Index (produced by Dow Jones & Co.). The respective questionnaires were presented, and in September 2002, the Bank was added to the Dow Jones Sustainability Index World, a global index which certifies the performance and the commitment the companies promoting sustainable development.

international standard for corporate social responsibility. A decision was also made to implement the various measures needed to create the appropriate premises for the SA 8000 certification.

In collaboration with Monte Paschi Asset Management SGR and MPS Banca Verde, BMPS set up a work group to look into the issue of ethical funds and to prepare a document of the state of the art in corporate social responsibility. The project received the consultative input of the BMPS Advisory Board, which draws on the expertise of leaders in the international academic and scientific communities.

The MPS Group set up a special Internet site (www.paschiambiente.it) to promote a better understanding of its many initiatives in social responsibility and environmental protection. The site will also serve as a forum for interaction with stakeholders (the gathering of feedback and suggestions, and the delivery of responses).

Projects currently in process include the planning and implementation of several EU programs on environmental issues:

- Green Light: With its participation in this program, BMPS aims at reducing its energy consumption by at least 15 percent over a five-year period, through measures already planned for many branches;
- Equal and Life: These environmental protection projects receive structural funds from the European Union; the Bank has offered to serve as a financing partner for the initiatives undertaken through these programs.

#### QUALITY MANAGEMENT SYSTEMS

With the governance of service quality representing another important aspect of social responsibility, the MPS Group undertook several programs to achieve the quality certification of several processes, starting with the parent company. With the realization of the quality management system, BMPS secured certification for various processes in February 2002 (see box).



#### ■ THE SYSTEM FOR MANAGING OUALITY

In February 2002, the MPS Group completed a project covering the design and implementation of a quality management system for BMPS, with the certifying entity, Det Norske Veritas, issuing thereafter:

 two ISO 9001:2000 certificates for the planning and delivery of (i) mortgage loan services to individual customers and (ii) direct banking services (PaschiHome, PaschiInTel, PaschiInRete, PaschiInAzienda):

• the EBTrust certification for the Internet site (www.mps.it) and the WAP site.

The certification boosts the Bank's competitive positioning, helping to increase the Bank's visibility and potential for attracting customers.

The quality management system, which is gradually to be implemented by other companies of the MPS Group, was further developed in August, with the addition of a treasury and cash module available through the Internet. Thereafter, the certifying entity, Det Norske Veritas, released another ISO

9001:2000 certification relative to direct banking services, inclusive of PaschilnTesoreria. In November, the planning and delivery of the cash and treasury service through the branch network was also certified.

The principal functions of the quality management system were made operational during 2002, and in particular, those addressing: communications and relationships between the various units involved in internal audit activity at the head office and branches; the reporting of anomalies; the monitoring of various indicators; the analysis of surveys in relation to customer satisfaction; and the identification and tracking of corrective actions.

Actively committed to several projects supporting the development of an environmental culture, in 2002, MPS BancaVerde became the first Italian credit institution (and the fifth one in Europe) to have obtained ISO 14001 certification and EMAS registration for its environmental management system. Further details of MPS Banca Verde's advisory efforts in support of the environment are supplied in the section of this report regarding structured finance and merchant banking.

# ■ BANKING TRANSPARENCY, MANAGEMENT OF CLAIMS, PREVENTION AND SAFETY, SAFEGUARDING OF PRIVACY

The MPS Group has made the issue of transparency a priority, and more in general, has placed a focus on all qualitative aspects of customer relationships, including: service quality, the safeguarding of privacy, socio-environmental aspects, and the transparency of the relationships. This orientation is consistent with the guidelines provided by the Bank of Italy and with public sentiment.

The disclosure of conditions applicable to services has also been a promotional tool in the case of products with strategic value, whether such disclosure is made through traditional and/or innovative channels. Monitoring has been initiated across the MPS Group in order to pinpoint any critical aspects of the disclosure process, and to promote a standard approach to corrective action within the various banks.

With the intention of shaping a sounder and more uniform organization, the MPS Group has recently committed to exploring the critical issue of compliance. This will involve a review of current compliance procedures and possible adjustments thereto in early 2003.

As part of its ongoing attentiveness to customer needs, in early 2002 the MPS Group set up

"complaints offices" to handle customer complaints received by the Group's banks and financial service companies. In managing customer feedback, these offices have placed their priorities on optimizing the MPS Group's relationships with the public, including over the long term, and on safeguarding the image of the companies of the MPS Group, whose activity consistently focuses on the full respect of user needs.

The total number of complaints received in 2002 was slightly higher than in the past, with similar growth seen across the financial services industry. This increase can be ascribed to the continuing negative performance of the economy, and to a growing tendency of customers to state their opinions, even in the absence of clear-cut operating irregularities. Despite this situation, there have been no changes to the MPS Group's commitment to continually improve service and to understand and, if possible, resolve the problems indicated by customers.

In accordance with the provisions of Legislative Decree 626/94 on the subject of safety and security in the workplace, the MPS Group has continued to pinpoint and evaluate professional risk factors for the purpose of determining the measures to be adopted to make work locations more safe and more secure. During the year, Banca Monte dei Paschi, Banca Toscana, Banca Agricola Mantovana and Banca Steinhauslin drafted formal documents covering the evaluation of risks. At the BMPS network, the process of completing risk profiles moved ahead as part of the MPSafe (Monte Paschi Sicuro) program launched in June 2000; as of year end, some 900 branches had already been screened.

The protection of customer privacy has been pursued with the application of the provisions contemplated by Law 675/96 and the Decree of the President of the Republic of Italy No. 318/99. In the case of the companies of the MPS Group, this activity has been coordinated by a special unit within the Corporate Center. With customers increasingly communicating with the MPS Group through the Internet, BMPS drafted and published a privacy policy in 2002 in order to provide precise information to persons who visit the Bank's Web site and who input personal data for the purpose of taking advantage of special offers for the products and services periodically featured. Similar initiatives are planned for the other units of the MPS Group.

#### CULTURAL ACTIVITY AND TRADE EVENTS

The activity of organizing community events continued in 2002, with a special focus on art

#### ■ THE BICCHERNE OF SIENA

The exhibition was inaugurated at Palazzo del Quirinale in Rome on 1 March 2002, with the attendance of the President of the Republic of Italy, and it remained at the Italian President's official residence until 10 April. Thereafter, the collection traveled to Washington, D.C., where it was exhibited at the Corcoran Gallery of Art from 1 August to 23 September.

On 7 December, the Biccheme returned to Siena for an exhibition at Santa Maria della Scala through 1 June 2003. Another two showings of the collection are planned: the first in Brussels, in July 2003, at the start of the Italian Prime Minister's six-month term as President of the European Union, and finally, in Frankfurt, at the head office of the European Central Bank.

exhibitions, concerts and sponsorships. Altogether, the MPS Group funded more than 1,300 cultural and scientific programs during the year.

The principal sponsorships included: Accademia Musicale Chigiana; Teatro del Maggio Musicale Fiorentino; Teatro Regio di Parma for the Verdi Festival 2002; and the International Center of Art and Culture at Palazzo Tè in Mantua, for the organization of the exhibition, "La Celeste Galleria dei Gonzaga".



In terms of cultural activity, the main initiative was the organization and presentation of the Biccherne di Siena show.

Other events sponsored by the MPS Group during the year included:

- the "The Art and the Culture of Siena" exhibition in Japan, featuring works from the permanent collections of the Bank and of the Accademia Musicale Chigiana Foundation;
- BMPS' purchase of two sculptures by Tino da Camaino and Francesco di Valdambrino, presented to the press and the residents of Siena in Sala San Donato and later displayed at the Bank's exhibit space at an antique show held in Fortezza Medicea in Siena;
- the preparation of an exhibition dedicated to the works of Marco Pino in Naples, whose restoration was underwritten by BMPS, and another exhibition, "Duccio alle origini della pittura Senese"; the inauguration of both exhibits was planned for 2003.

In the world of sports, the MPS Group sponsors various youth and amateur sports programs, while the Mens Sana Basket Siena team is officially backed by BMPS.

A major commitment went to publishing activity in 2002.

As to economic publications, the Bank and Banca Toscana continued to collaborate on the production of "Economic Studies and Notes". Another English-language publication, "Economic Notes", is printed and distributed under an agreement with the publishing company, Blackwell of Oxford, England; this publication sponsored a conference in Verona dedicated to "Managing Credit and Market Risk: New Techniques for New Sources of Risk", a summary of which is to be featured in one of the 2003 editions.

As part of the development of its program of business seminars and conferences, the MPS Group entered into an important agreement with the Italian Manufacturers' Federation ("Confindustria"). In line with this agreement, various initiatives were organized throughout the country, some of which highlighted the MPS Group's innovative strategies for meeting the needs of the corporate market.

Three particular meetings dominated the calendar in terms of their importance and visibility at a national level: the Parma Conference, and the Conferences for Young Business

People held in Santa Margherita Ligure and Capri.

#### ■ PRINCIPAL PUBLISHING INITIATIVES IN 2002

- the publication at year end of a volume entitled "Civil Architecture in Tuscany: from the Age of Enlightenment to the Twentieth Century";
- completion of a CD-rom on Palazzo Chigi Saracini with a virtual tour of the apartments, details on the art collection, and a section dedicated to music:
- the printing of the new volume dedicated to the history of the BMPS

head office, and the distribution of the same at the end of 2002;

- the publication of the volume, "Raffaello e la Loggia di Amore e Psiche alla Farnesina" officially presented to the Lincei Academy in Rome on 24 June 2002;
- a photo biographical publication on the Sienese writer, Federigo Tozzi, as part of the initiatives promoted by the City of Siena.

The MPS Group-Confindustria partnership also led to the organization of two seminars on corporate finance and advisory services dedicated to small- and mediumsized companies. The first seminar, "Treasury management, financing sources and advisory services for companies" was held in Vicenza, while the second "Corporate finance: changes to be expected with the revision of the Basle 2 Accord" was staged in Naples. Finally, the MPS Group served as the main sponsor of the Prato International Forum for Small and Medium-

Sized Companies, a mainstream event which is attended by business leaders, economists, politicians and bankers from Italy and abroad, and which deals with issues and themes relevant to SMFs.

#### RELATIONSHIPS WITH UNIVERSITIES AND RESEARCH CENTERS

Aside from producing positive returns in terms of the MPS Group's image, the relationships with universities, research institutes and other academic institutions offer prime access to highly qualified resources.

In addition to the initiatives highlighted in the box, BMPS is a sponsor of the Master's

# ■ POST-GRADUATE PROGRAMS IN COLLABORATION WITH THE UNIVERSITY OF SIENA

- Master's Degree in Economics and Banking (MEBS), organized with the University of Siena: the degree embraces the comprehensive study of sophisticated economic and financial analysis tools, and operating methodologies; the program contemplates a term for apprenticeship, including within one of the banks or companies of the MPS Group.
- Master's Degree in Financial Institutions Management and New Information Technologies, which has been set up by the MPS Group Operating Consortium in collaboration with the Department of Business and Social Studies of the University of Siena and Engineering Ingegneria Informatica S.p.A.: the program is aimed at developing professionals who can integrate technological knowledge

with business skills.

- Master's Degree in Law, which is the by-product of a cooperation between the University of Siena, Oxford University and London University College, and responds to the growing demand for individuals proficient in banking legislation, comparative law and European law.
- Master's Degree in Digital Economics and e-Business, promoted and organized by the University of Siena in collaboration with various corporate sponsors, including several companies of the MPS Group (BMPS, MPS Group Operating Consortium and MPS.net): the program is focused on training highly-qualified professionals capable of meeting the demands of the marketplace arising from the development of the digital economy.

Degree in Economics and Environmental Management (MEMA) offered by Bocconi University in Milan and a Master's Degree in Management and Control of the Environment at the Sant'Anna Institute of Pisa; degree candidates for these programs are trained to fill management positions in the environmental sector, a sector which is crucial to socio-economic development today. MPS Finance has instead entered into a relationship with the University of Lecce to provide support for the Master's Degree in E-business Management - ISUFI.

The MPS Group's collaboration with academic institutions also includes funding in favor of the university centers in Arezzo and in Grosseto, as well as contributions to the Richard Goodwin Library of the School of Economics of the University of Siena, for the conservation and modernization of the library and support materials.



### MATERIAL EVENTS SUBSEQUENT TO YEAR END

ollowing is a summary of the more significant events occurring in the first few months of 2003.

The beginning of the new year marked the start-up of the activity of a Dublin-based funds management company owned by MP Asset Management, which operates through a newly created SICAV.

On 9 January 2003, the BMPS Board of Directors authorized an investment in a consortium of companies headed by Acea S.p.A. temporarily established for the purpose of bidding to become a minority investor in a company to manage the ATO n. 2 Basso Valdarno integrated water service.

On 23 January 2003, the BMPS Board of Directors approved the 2003 budget for the Bank and the MPS Group, while also authorizing the creation of an Environmental Management Committee to serve as an advisor on the design and implementation of an environmental management system,

Further affirming the MPS Group's commitment to ecological and environmental issues, this system embraces the following key objectives: curbing the consumption of energy, water, etc. and the production of waste and polluting emissions; streamlining the use of materials which can cause pollution and the use of other materials; improving the MPS Group's environmental performance; and managing the environmental risks which impact banking activity. On 26 February 2003, the environmental management system secured the ISO 14001 certification thereby attesting to the MPS Group's excellent position in the environmental field.

On 6 February 2003, the BMPS Board of Directors examined and approved the "impres@più" account package which is part of the MPS Group's value proposition with respect to the corporate world. As an integrated system of banking and non-banking services tailored to the needs of businesses, this package will be marketed by all of the MPS Group's distribution networks in 2003.

During February, BMPS purchased 170,281,786 shares of Finsoe from Hopa S.p.A., bringing the MPS Group's interest in Finsoe to 39 percent. On 6 February 2003, the BMPS Board of Directors approved an agreement with Holmo S.p.A. governing various aspects of the relationship between the MPS Group and the Unipol Group. The agreement has a term of three years, and is renewable.

On 20 February 2003, the BMPS Board of Directors approved the incorporation of the company, MPS Immobiliare S.p.A., with a registered office in Siena. Once Banca Agricola

Mantovana and Banca Toscana have been incorporated into BMPS, all real property assets of BMPS will be transferred to the new company, which will be 100-percent held by BMPS.

On 20 February 2003, the BMPS Board of Directors embarked on a project expected to culminate in the Bank of Italy's recognition, for reporting purposes, of the internal model used for measuring the market risks of the trading portfolio.

On 28 February 2003, meetings of the shareholders of Banca Agricola Mantovana, Banca Toscana and Banca Monte dei Paschi di Siena were held for the purpose of approving the merger by incorporation of the two subsidiaries into the parent company. The shareholders of Banca Monte dei Paschi also authorized the purchase of up to 92,401,908 of the Bank's own ordinary shares to be used for servicing put and call options.

On 6 March 2003, the BMPS Board of Directors authorized an increase in the Bank's interest in Assicurazioni Generali as part of a medium-term investment strategy and in light of the significant economic return contemplated on the holding. On 13 March 2003, UniCredito Italiano, Banca Monte dei Paschi di Siena and Capitalia entered into an advisory agreement regarding the aggregate holding of 8.46 percent in Assicurazioni Generali (with the BMPS quota at 2.95 percent).



#### **OUTLOOK FOR 2003**

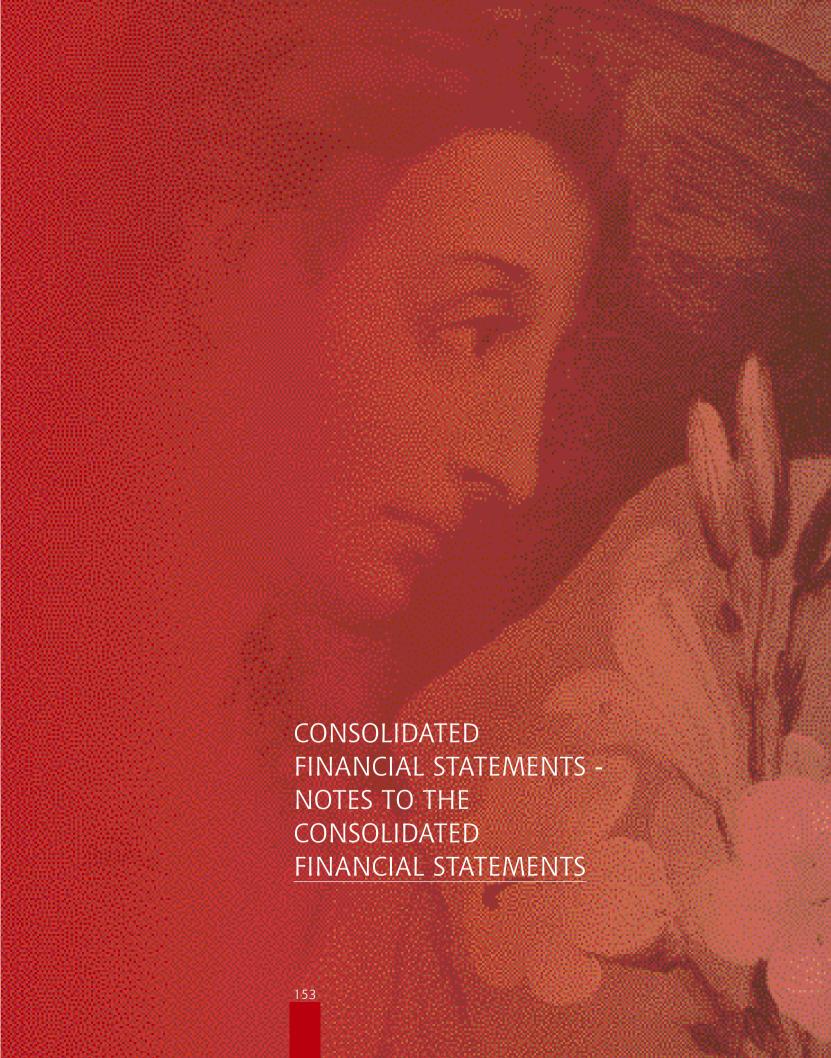
White external critical factors continuing to exert a significant impact on the operational framework, the planning guidelines for the year of 2003 are centered on containing the growth of operating expenses, with the goal of improving efficiency indicators and reducing the variation of the consolidated results. Although the extensive organizational and governance changes made in 2002 are expected to yield important results, the budget for 2003 is particularly demanding of all areas of the MPS Group in that it aims to blend cost containment with the achievement of the projects set forth by the Business Plan and with various commercial opportunities.

No less important are the initiatives on the revenue front, which are based on a well balanced marketing policy capable of meeting the expectations of customers in the various segments, with a view to safeguarding relationships over the long term. In this regard, the MPS Group can leverage the benefits of an organization specializing in the retail and corporate markets, in order to improve qualitative and earnings performance in the management of the relationships. At the root of such improvement are service models which have been appropriately differentiated in relation to needs, products/services, and distribution channels.

The outlook for 2003 also incorporates careful controls over various types of risk with the aim of minimizing the impact of risk on the profit and loss statement and on capital absorption. In the case of credit risk, the MPS Group is counting on benefits from important changes such as the adoption of new trend analysis tools and of instruments for managing the most critical positions, and further improvement in the procedures for monitoring loan quality. In addressing financial risks, the plans call for the concentration of all treasury activity in 2003; meanwhile, the centralized management of the securities portfolios will help to contain overall exposure to market risks and to optimize the risk/return profile of the MPS Group overall.

As far as business development is concerned, the events in the first few months of 2003 have confirmed the trend of the final quarter of 2002, while also correctly reflecting the projections built into the budget. With the backdrop incorporating exceptionally critical geopolitical factors and extreme uncertainty about a recovery of the economy and of the financial markets, it is very difficult at present to delineate a profile of growth for the months ahead.







# ■ FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements as of 31 December 2002 have been prepared in accordance with laws and regulations in effect in Italy, and include the following:

- Balance Sheet:
- Profit and Loss Statement;
- Notes to the Financial Statements.

The notes to the financial statements are made up as follows:

- Part A Valuation Criteria
- Part B Information on the Consolidated Balance Sheet
- Part C Information on the Consolidated Profit and Loss Statement
- Part D Other Notes

The following supplemental information is also provided:

- Statement of Changes in Consolidated Shareholders' Equity
- Reconciliation of Parent-Company Earnings and Net Equity and Consolidated Earnings and Net Equity
- Statement of Changes in Consolidated Financial Position
- Comparative schedules (consolidated balance sheet, guarantees and commitments and consolidated profit and loss statement) as of 31 December 2001, approved by the Board of Directors

# CONSOLIDATED FINANCIAL **STATEMENTS** CONSOLIDATED BALANCE SHEET, GUARANTEES AND COMMITMENTS, CONSOLIDATED PROFIT AND LOSS STATEMENT



#### ■ CONSOLIDATED BALANCE SHEET

			(in EUR)
Assets			31 December 2002
10 Cash and o	cash on deposit with central banks and post offices		833,673,685
	ernment securities and similar instruments		
eligible for	refinancing with central banks		541,635,204
_	due from banks		16,027,081,914
a) sight		2,464,429,373	
b) other		13,562,652,541	
40 Customer	loans		68,471,970,038
includin	g.		
loans wi	th third-party funds under administration	16,605,213	
50 Bonds and	other fixed-income securities		15,454,571,640
a) of pu	blic issuers	6,345,839,973	
b) of ba	nks	3,643,480,928	
- includ	ing: own securities	874,829,163	
c) of fin	ancial institutions	2,368,908,549	
- includ	ing: own securities	-	
d) of oth	ner issuers	3,096,342,190	
60 Shares, qu	otas and other equity securities		914,380,279
70 Equity inv	estments		1,603,931,245
a) value	d with net equity method	62,554,924	
b) other		1,541,376,321	
80 Equity inv	estments in Group companies		584,773,031
a) value	d with net equity method	439,261,945	
b) other		145,511,086	
90 Positive co	nsolidation differences		756,508,923
100 Positive ne	et equity differences		114,267,973
110 Intangible	assets		434,296,071
includin	g.		
- start-u	p costs	12,246,763	
- goodw	ill	5,043,606	
120 Fixed asset	cs		2,135,218,450
includin	g: assets under financial lease	393,769,000	
130 Unpaid su	bscribed capital		-
includin	g: called-up capital		
140 Own share	S		10,417,306
(nomina	l value 5,880.95)		
150 Other asse	ts		19,432,319,226
160 Accrued in	come and prepayments		1,567,940,383
a) accru	ed income	1,345,374,613	
b) prepa	ayments	222,565,770	
includir	ng: issuing discounts	76,721,809	

# ■ LIABILITIES AND SHAREHOLDERS' EQUITY

		(in EUR)
		31 December 2002
0 Due to banks		20,516,315,393
a) sight	799,834,579	
b) time or requiring advance notice of withdrawal	19,716,480,814	
20 Customer deposits		49,779,798,34
a) sight	38,661,445,691	
b) time or requiring advance notice of withdrawal	11,118,352,650	
30 Other borrowed funds backed by negotiable instruments		27,474,692,21
a) bonds	20,588,392,715	
b) certificates of deposit	6,315,758,245	
c) other instruments	570,541,255	
10 Third-party funds under administration		36,454,32
50 Other liabilities		17,218,338,999
60 Accrued liabilities and deferred income		1,675,215,13
a) accrued liabilities	1,344,616,846	
b) deferred income	330,598,292	
70 Staff severance indemnity reserve		434,201,99
Reserves for risks and other charges:		1,759,478,76
a) pension fund and similar obligations	396,638,861	
b) reserve for taxes	746,179,002	
c) consolidation reserve for risks and future charges	-	
d) other reserves	616,660,897	
90 Reserve for loan losses		354,514,610
100 Reserve for general banking risks		360,811,92
10 Subordinated debt		3,276,115,028
20 Negative consolidation differences		21,343,09
30 Negative net equity differences		1,570,21
40 Minority interests		807,605,40
50 Share capital		1,675,023,20
60 Additional paid-in capital		522,925,05
70 Reserves:		2,372,292,92
a) legal reserve	271,230,891	
b) reserve for own shares or quotas	10,417,306	
c) statutory reserves	974,812,397	
d) other reserves	1,115,832,329	
80 Revaluation reserves		14,405,70
90 Profit (loss) carried forward		69,90
200 Profit (loss) for the year		581,813,13
Total liabilities and shareholders' equity		128,882,985,368



#### ■ GUARANTEES AND COMMITMENTS

			(in EUR)
	Account		31 December 2002
10	Guarantees released including:		6,390,896,866
	acceptances other guarantees	159,834,529 6,231,062,337	
20	Commitments including:	0,231,002,337	23,760,343,424
30	commitments to sell with the obligation to repurchase Commitments for credit derivatives	-	2,119,428,919

#### ■ CONSOLIDATED PROFIT AND LOSS STATEMENT

		(in EUR)
Account		31 December 2002
10 Interest and similar income		5,067,427,918
including:		
- on customer loans and advances	3,824,989,897	
- on debt securities	619,933,016	
Interest expense and other expense on borrowed funds including:		2,727,382,167
- on customer deposits	914,008,963	
- on other borrowed funds backed by negotiable instruments	910,083,276	
O Dividends and other income		547,812,227
a) on shares, quotas and other equity securities	409,370,382	
b) on equity investments	138,441,845	
c) on equity investments in Group companies	-	
O Commissions earned		1,615,409,321
O Commission expense		250,116,556
O Profit (loss) on financial transactions		(74,800,782)
5 Income on investment of pension and similar funds		13,475,436
O Other operating income		579,729,358
O Administrative expenses		2,927,528,761
a) personnel expense	1,800,032,991	
Including:		
- wages and salaries	1,263,289,530	
- social-welfare charges	350,342,290	
- staff severance indemnity reserve	94,095,722	
- pension fund and similar obligations	33,651,340	
b) other administrative expenses	1,127,495,770	
5 Provisions for income on investment of pension and similar funds	(5,572,372)	
O Valuation adjustments to fixed and intangible assets		494,696,764
00 Provisions for risks and charges		42,377,195
10 Other operating expenses		43,091,733
20 Valuation adjustments to loans and provisions		
for guarantees and commitments		614,864,455
30 Recoveries on loans and on provisions		
for guarantees and commitments		176,877,975
40 Provisions to loan loss reserve		90,007,795
50 Valuation adjustments to non-current financial assets		298,140,441
60 Recoveries on non-current financial assets		7,320,387
70 Profit (loss) on investments valued with net equity method		36,260,950
80 Profit (loss) from ordinary operations		486,879,295
90 Extraordinary income		457,925,259
00 Extraordinary charges		141,367,801
10 Extraordinary profit (loss)		316,557,458
20 Use of the consolidation reserve for risks and future charges		-
30 Change in reserve for general banking risks		84,998,675
40 Income taxes		(216,579,032)
50 Minority interests		90,043,265
260 Profit (loss) for the year		581,813,131

# COMPARATIVE FINANCIAL STATEMENTS

THE FOLLOWING STATEMENTS COMPARE THE BALANCE-SHEET AS AT DECEMBER 31, 2002 WITH THE FINANCIAL RESULTS AS OF DECEMBER 31, 2001 AFTER ELIMINATING THE ITEMS CONCERNING CASSA DI RISPARMIO DI SAN MINIATO S.P.A. AND CASSA DI RISPARMIO DI PRATO S.P.A.



#### ■ CONSOLIDATED BALANCE SHEET

Α	ssets	31/12/	02	31/12/0	01	Abs	solute Change	EUR 000's) % Change
10	Cash and cash on deposit with central banks and post offices		833,674		681,150		152,524	22.39
20	Italian government securities and similar instrument eligible for refinancing with central banks	5	541,635		1,183,040		(641,405)	(54.22)
30	Amounts due from banks a) sight b) other	2,464,429 13,562,653	16,027,082	2,505,281 11,374,809	13,880,090	(40,852) 2,187,844	2,146,992	15.47 (1.63) 19.23
40	Customer loans and advances including: loans with third-party funds under administration	16,605	68,471,970	18,797	63,038,097	(2,192)	5,433,873	8.62 (11.66)
50	Bonds and other fixed-income securities a) of public issuers b) of banks - including: own securities c) of financial institutions - including: own securities d) of other issuers	6,345,840 3,643,481 874,829 2,368,909	15,454,572	5,871,039 2,671,061 583,884 2,097,981 - 2,157,268	12,797,349	474,801 972,420 290,945 270,928 939,074	2,657,223	20.76 8.09 36.41 49.83 12.91
60	Shares, quotas and other equity securities		914,380	2,137,200	1,511,212	939,074	(596,832)	(39.49)
70	Equity investments a) valued with net equity method b) other	62,555 1,541,376	1,603,931	36,244 2,320,904	2,357,148	26,311 (779,528)	(753,217)	(31.95) 72.59 (33.59)
80	Equity investments in Group companies a) valued with net equity method b) other	439,262 145,511	584,773	327,410 234,395	561,805	111,852 (88,884)	22,968	4.09 34.16
90	Positive consolidation differences		756,509		717,270		39,239	5.47
100	Positive net equity differences		114,268		126,045		(11,777)	(9.34)
110	Intangible assets including: - start-up costs - goodwill	12,247 5,044	434,296	35,318 1,351	428,766	(23,071) 3,693	5,530	1.29 (65.32)
120	Fixed assets including: assets under financial lease	393,769	2,135,218	340,371	2,103,208	53,398	32,010	1.52 15.69
130	Unpaid subscribed capital including: called-up capital		-		-		-	
140	Own shares (nominal value 5,880.95)		10,417		18,644		(8,227)	(44.13)
150	Other assets		19,432,319		13,442,139		5,990,180	44.56
160	Accrued income and prepayments a) accrued income b) prepayments including: issuing discounts	1,345,375 222,566 76,722	1,567,941	1,485,261 159,613 24,376	1,644,874	(139,886) 62,953 52,346	(76,933)	(4.68) (9.42) 39.44 214.74
Tota	l assets		128,882,985		114,490,837	,	14,392,148	12.57

#### ■ CONSOLIDATED BALANCE SHEET

								EUR 000's)
Liab	ilities and shareholders' equity	31/12/0	)2	31/12/0	)1	Ab:	solute Change	% Change
10	Due to banks a) sight b) time or requiring advance	799,834	20,516,315	1,038,275	15,106,255	(238,441)	5,410,060	35.81 (22.97)
	notice of withdrawal	19,716,481		14,067,980		5,648,501		40.15
20	Customer deposits a) sight b) time or requiring advance	38,661,446	49,779,799	36,377,967	47,001,471	2,283,479	2,778,328	5.91 6.28
	notice of withdrawal	11,118,353		10,623,504		494,849		4.66
30	Other borrowed funds backed by negotiable instruments a) bonds b) certificates of deposit c) other instruments	20,588,393 6,315,758 570,541	27,474,692	17,699,177 8,315,796 784,892	26,799,865	2,889,216 (2,000,038) (214,351)	674,827	2.52 16.32 (24.05) (27.31)
40	Third-party funds under administration		36,454		43,577		(7,123)	(16.35)
50	Other liabilities		17,218,339		11,371,222		5,847,117	51.42
60	Accrued liabilities and deferred income a) accrued liabilities b) deferred income	1,344,617 330,598	1,675,215	1,592,933 283,620	1,876,553	(248,316) 46,978	(201,338)	(10.73) (15.59) 16.56
70	Staff severance indemnity reserve		434,202		424,026		10,176	2.40
80	Reserves for risks and other charges: a) pension fund and similar obligations b) reserve for taxes c) consolidation reserve	396,639 746,179	1,759,479	389,025 842,670	1,813,745	7,614 (96,491)	(54,266)	(2.99) 1.96 (11.45)
	for risks and future charges d) other reserves	616,661		582,050		34,611		5.95
90	Reserve for loan losses		354,515		299,941		54,574	18.19
100	Reserve for general banking risks		360,812		445,288		(84,476)	(18.97)
110	Subordinated debt		3,276,115		3,044,737		231,378	7.60
120	Negative consolidation differences		21,343		20,834		509	2.44
130	Negative net equity differences		1,570		1,237		333	26.92
140	Minority interests		807,605		941,959		(134,354)	(14.26)
150	Share capital		1,675,023		1,356,154		318,869	23.51
160	Additional paid-in capital		522,925		522,925		-	-
170	Reserves: a) legal reserve b) reserve for own shares or quotas c) statutory reserves d) other reserves	271,231 10,417 974,812 1,115,833	2,372,293	243,816 18,644 666,488 1,141,722	2,070,670	27,415 (8,227) 308,324 (25,889)	301,623	14.57 11.24 (44.13) 46.26 (2.27)
180	Revaluation reserves		14,406		731,455		(717,049)	(98.03)
190	Profit (loss) carried forward		70		89		(19)	(21.35)
200	Profit (loss) for the year  Total liabilities and shareholders' equ	ity	581,813 <b>128,882,98</b> 5	<b>;</b>	618,834 <b>114,490,837</b>	,	(37,021) <b>14,392,148</b>	(5.98) <b>12.57</b>



#### ■ GUARANTEES AND COMMITMENTS

							(in	EUR 000's)
		31/12/0	)2	31/12/0	)1	Ab	solute Change	% Change
10	Guarantees released		6,390,897		9,286,666		(2,895,769)	(31.18)
	including: acceptances other guarantees	159,835 6,231,062		132,967 9,153,699		26,868 (2,922,637)		20.21 (31.93)
20	Commitments including: commitments to sell with the obligation to repurchase	-	23,760,343	-	21,840,923	-	1,919,420	8.79
30	Commitments for credit derivatives		2,119,429		236,979		1,882,450	794.35

#### ■ CONSOLIDATED PROFIT AND LOSS STATEMENT

	31/	12/02	31/1	2/01	Absolu	(in EU te Change %	R 000's) 6 Change
10 Interest and similar income		5,067,428		5,476,921		(409,493)	(7.48)
including: - on customer loans and advances - on debt securities	3,824,990 619,933		4,107,395 670,958		(282,405) (51,025)		(6.88) (7.60)
20 Interest expense and other expense on borrowed funds		2,727,382	3. 2,223	3,282,305	(= 1,1=1)	(554,923)	(16.91)
including: - on customer deposits	914,009		1,237,767		(323,758)		(26.16)
- on other borrowed funds backed by negotiable instruments	910,083		1,037,458		(127,375)		(12.28)
30 Dividends and other income a) on shares, quotas and	400 270	547,812	127 461	382,608	271 000	165,204	43.18
other equity securities b) on equity investments c) on equity investments in Group compa	409,370 138,442		137,461 245,147		271,909 (106,705)		197.81 (43.53)
40 Commissions earned 50 Commission expense	illes -	1,615,409 250,117	-	1,706,707 219,279	-	(91,298) 30,838	(5.35) 14.06
60 Profit (loss) on financial transactions 65 Income on investment of pension		(74,801)		391,473			(119.11)
<ul><li>and similar funds</li><li>Other operating income</li></ul>		13,475 579,729		6,610 466,120		6,865 113,609	103.86 24.37
80 Administrative expenses a) personnel expense	1,800,033	2,927,529	1,703,619	2,815,778	96,414	111,751	3.97 5.66
including: - wages and salaries	1,263,290		1,215,131		48,159		3.96
- social-welfare charges - staff severance indemnity reserve	350,342 94,096		334,388 80,054		15,954 14,042		4.77 17.54
<ul> <li>pension fund and similar obligations</li> <li>b) other administrative expenses</li> <li>Provisions for income on investment</li> </ul>	33,651 1,127,496		27,031 1,112,159		6,620 15,337		24.49 1.38
of pension and similar funds 90 Valuation adjustments to fixed and intang	ible assets	(5,572) 494,697		5,561 365,082		(11,133) 129,615	(200.20) 35.50
<ul><li>100 Provisions for risks and charges</li><li>110 Other operating expenses</li></ul>		42,377 43,091		75,152 26,793		(32,775) 16,298	(43.61) 60.83
120 Valuation adjustments to loans and provision for guarantees and commitments	ions	614,863		521,087		93,776	18.00
<ul><li>130 Recoveries on loans and on provisions for guarantees and commitments</li><li>140 Provisions to loan loss reserve</li></ul>		176,878 90,008		199,146 57,065		(22,268) 32,943	(11.18) 57.73
150 Valuation adjustments to non-current fina 160 Recoveries on non-current financial assets		298,140 7,320		23,102 1,548		275,038 5,772	
170 Profit (loss) on investments valued with net equity method		36,261		55,019		(18,758)	(34.09)
180 Profit (loss) from ordinary operations		486,879		1,294,948		(808,069)	(62.40)
190 Extraordinary income		457,925		178,664		279,261	156.31
200 Extraordinary charges		141,368		149,543		(8,175)	(5.47)
210 Extraordinary profit (loss)		316,557		29,121		287,436	987.04
220 Use of the consolidation reserve for risks and future charges		-		_			
230 Change in reserve for general banking rish	<b>(</b> S	84,999		(5,376)		90,375	n.s.
<ul><li>240 Income taxes</li><li>250 Minority interests</li></ul>		(216,579) 90,043		(604,915) 94,944		388,336 (4,901)	(64.20)
260 Profit (loss) for the year		581,813		618,834		(37,021)	(5.16)

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#### The notes to the consolidated financial statements include the following

#### Part A - Valuation Criteria

- Section 1 Description of valuation criteria and criteria for the preparation of the consolidated financial statements
- Section 2 Fiscal adjustments and provisions

#### Part B - Information on the Consolidated Balance Sheet

- Section 1 Loans
- Section 2 Securities
- Section 3 Equity investments
- Section 4 Fixed assets and intangible assets
- Section 5 Other assets
- Section 6 Liabilities
- Section 7 Reserves
- Section 8 Capital, reserves, provision for general banking risks and subordinated debt
- Section 9 Other liabilities
- Section 10 Guarantees and commitments
- Section 11 Concentration and distribution of assets and liabilities
- Section 12 Funds management and other transactions for the account of third parties

#### Part C - Information on the Profit and Loss Statement

- Section 1 Interest income and interest expense
- Section 2 Commissions earned and commission expense
- Section 3 Profits and losses from financial transactions
- Section 4 Operating expenses
- Section 5 Valuation adjustments, recoveries and provisions
- Section 6 Other items
- Section 7 Additional notes to the profit and loss statement

#### Part D - Other notes

Section 1 - Directors and Statutory Auditors

#### **Attachments**

- Statement of Changes in Consolidated Shareholders' Equity
- Reconciliation of Parent-Company Earnings and Net Equity and Consolidated Earnings and Net Equity
- Statement of Changes in Consolidated Financial Position
- Comparative schedules (consolidated balance sheet, guarantees and commitments and consolidated profit and loss statement) as of 31 December 2001, approved by the Board of Directors

# <u>PART A</u> VALUATION CRITERIA

# SECTION 1 - VALUATION CRITERIA AND CRITERIA FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2002

The valuation criteria indicated hereunder conform with the criteria provided by prevailing Italian laws and with the criteria adopted in the preparation of the 2001 consolidated financial statements.

These criteria are in conformity with those used by the parent company, Banca Monte dei Paschi di Siena S.p.A., in the preparation of its financial statements.

The figures in the consolidated financial statements are presented in thousands of euros, and the data of the consolidated financial statements as of 31 December 2001 have been converted into euros.

#### AREA OF CONSOLIDATION

The consolidated financial statements include the financial statements of the parent company, Banca Monte dei Paschi di Siena S.p.A., and those of the banking and financial services subsidiaries and other subsidiary companies mainly, or exclusively, performing activities incidental to those of the Parent Company. Subsidiaries in liquidation were not consolidated.

Following are several significant transactions occurring in 2002:

Transactions effected by the parent company

- acquisition of 100 percent of 121 Financial Services Ltd. in the first half of the year, as part of the overall plan to purchase a business unit from Banca 121;
- incorporation of 121 Promozione Finanziaria, a company to hold the "innovative banking" activity, assets and resources related to a financial advisor network that was previously part of Banca 121; such innovative activity was transferred from Banca MPS to the newly incorporated company;
- acquisition of another 8.05 percent of Banca Agricola Mantovana, or 50 percent of the BAM shares not tendered at the time of the public offer; such shares were tendered by BAM shareholders who had been holding a put option expiring as of the third calendar year subsequent to the date when the shares were returned; with the perfection of this transaction and the transfer of the BAM shares in the parent company's trading portfolio, BMPS' interest in BAM went from 52.311 percent to 65.546 percent;



- incorporation of Banca MPS Leasing & Factoring, a company to serve as the excellence center for the leasing and factoring activity for the group; the incorporation was followed by:
  - the transfer of the leasing and factoring unit of BMPS to the new company;
  - the merger of Merchant Leasing e Factoring into MPS L&F, following the transfer of the former by Banca Toscana, Banca Agricola Mantovana and Cassa di Risparmio di Prato;
  - merger of Pool Factor, a company previously owned by Banca 121, into the new company;
- incorporation of the affiliate company, MPS Gestione Crediti, which has been set up to concentrate and manage problem credits within the MPS Group;
- the consolidation of the subsidiaries Ulisse and Ulisse 2, both of which are specialpurpose companies involved in the securitization of non-performing loans by the parent company in 2001 and whose controlling interests were purchased in 2002;
- the consolidation of the affiliate S.O.R.I.T., previously valued with the net equity method, and whose controlling interest was acquired in the final quarter of 2002;
- the consolidation of Agrisviluppo, a company which is 85.2-percent owned by BAM and 9.5-percent owned by Banca Verde;
- the sale of the interest held in Cassa di Risparmio di San Miniato, previously consolidated on a proportional basis, which implied the increase of a capital gain of EUR 3.4 million posted by the Parent Company as an income resulting from deconsolidation;
- the deconsolidation of the subsidiary, Cassa di Risparmio di Prato, in consideration of the certainty of the sale of the same following the Bank of Italy's authorization of the buyer (which was received before the Board of Directors approved the annual report for BMPS); the deconsolidation, which was effected even though the transaction was settled in March 2003, involved a reduction of the extraordinary income posted by the Parent Company of EUR 25 million as a charge resulting from deconsolidation;

Transactions effected by the subsidiary, Banca Agricola Mantovana:

- transfer of the holding in Merchant Leasing e Factoring to MPS Leasing e Factoring;
- sale of a 4.979 percent interest in Banca Toscana, which involved a deconsolidation charge of EUR 5.3 million that was charged against BAM's capital gain.
- acquisition of 100 percent of the indirectly controlled Mantovana Management Ltd, which preceded the transfer of the company to MPS Asset Management early in January 2003;

Finally, Banca 121 and Saped were merged by incorporation into Banca Monte dei Paschi di Siena, while Finanziaria BAM was incorporated into Banca Agricola Mantovana.

#### FINANCIAL STATEMENTS USED FOR CONSOLIDATION

The consolidated financial statements have been prepared on the basis of the financial statements of the consolidated companies as of 31 December 2002, as approved by the respective Boards of Directors. In the case of Banca Agricola Mantovana S.p.A., Intermonte Securities SIM, and MPS Asset Management SGR Group, the relative consolidated statements were used.

The financial statements of the subsidiaries have been consolidated using the line-by-line method, with the full consolidation of the assets, liabilities, guarantees, commitments and income and expense accounts of the subsidiaries.

Investments in Banca Popolare di Spoleto S.p.A. and Banca del Monte di Parma S.p.A., which are jointly controlled institutions pursuant to Article 35 of Legislative Decree No. 87/92, have been consolidated using the proportional method.

The financial statements of the companies included in the consolidation which were prepared on the basis of accounting principles differing from those used for the consolidated financial statements or which include adjustments and provisions solely for tax purposes, have been restated to conform to the accounting principles used in the preparation of the consolidated statements.

For the purpose of consolidation, leasing transactions are recorded with criteria based on the financial method.

Financial statements denominated in foreign currencies were translated into euros on the basis of the following criteria:

- Assets, liabilities, income and expenses were converted into euros using the spot exchange rates prevailing at year end;
- The balances in the shareholders' equity accounts have been translated at the historical rate applied upon the initial consolidation. Any currency translation differences as a result of the conversion of the accounts into euros at the exchange rate in effect as of the date the consolidated financial statements are booked in the account. "Other reserves".

#### CONSOLIDATION PRINCIPLES

The book value of investments in subsidiaries has been eliminated against the corresponding portion of net equity, with the related assets and liabilities consolidated on a line-by-line or proportional basis and with any differences ascribed, wherever possible, to the assets and liabilities of the subsidiaries.

Any residual negative differences are recorded as "Negative consolidation differences". Positive differences are netted first against "Revaluation reserves", with any remaining balance recorded as "Positive consolidation differences". The positive differences are offset with the amount of pre-existing negative differences, and those not offset are normally amortized over a period of 10 years, which is considered as the investment pay-back period. In the case of the Banca Agricola Mantovana Group, such period is expected to be 20 years.

The portions of consolidated net equity and of the annual profit attributable to minority interests are disclosed separately in the balance sheet and profit and loss statement under



"Minority interests" and "Third parties' operating profit". Assets and liabilities, guarantees and commitments, and income and expenses relating to intercompany transactions have been eliminated, with any differences from suspense accounts and any exchange differences being recorded under "Other assets/liabilities" and "Extraordinary income/charges".

Profits and losses on transactions between the companies included in consolidation – except for transactions involving securities, foreign currency and other financial instruments executed at normal market conditions – are eliminated if they refer to assets which are still on the balance sheet.

As provided by Article 34 of Legislative Decree No. 87/92, the financial statements include profits and losses on infragroup transactions involving securities, foreign currency and other financial instruments, and executed at normal market conditions. Entries for dividends, valuation adjustments and recoveries concerning investments in companies included in consolidation have been eliminated.

#### 1. LOANS. GUARANTEES AND COMMITMENTS

#### 1.1 LOANS

Loans and advances to customers and banks are recorded at the total amount actually disbursed. Mortgage loans, deposits with third parties, long-term loans and other subsidies are stated at the equivalent of the residual principal amount. Loans include accrued and past-due interest settled at year end. Interest accrued and unpaid at year end is recorded in the profit and loss statement with the offsetting entry to "Accrued income".

Loans are stated at their estimated realizable value, which is determined by taking into account the solvency of the debtor as well as any difficulties in the servicing of debt by countries in which the debtors are resident. Estimated loan losses are computed based on analyses of outstanding loans whose collection may be at risk, with such analyses supplemented by evaluations of country risk.

- Non-performing loans (i.e. loans made to borrowers who are insolvent or in a comparable situation) and watch-list credits (i.e. loans made to borrowers in temporary difficulties) are analyzed by taking into account the financial condition of each borrower and the existence of any collateral or guarantees;
- Loans to countries at risk and loans to residents in countries having difficulties in servicing
  debt are valued in accordance with the directives of the Bank of Italy and the Italian Bankers
  Association with respect to the country of the counterparty;
- Performing loans are estimated on the basis of the Bank's ordinary risk;
- Past-due interest is mostly written off completely.

The determination of the estimated realizable value of loans also takes into account the existence of certain credit-risk hedging transactions effected through credit derivatives in which the Group acts as the party purchasing protection.

The writedown of loans is effected by means of a direct charge to the carrying value; any writedown may later be reversed should the reasons therefor no longer apply.

#### 1.2 GUARANTEES AND COMMITMENTS

Guarantees and commitments are valued as follows:

- Agreements covering loans and deposits to be funded: at the value of the underlying contract:
- Irrevocable credit lines: at the value of the residual amount available;
- Other guarantees and commitments: at the value of the contractual commitment.

Specific credit risks inherent to the guarantees and commitments are valued in accordance with the criteria adopted for valuing loans. Any estimated losses are recorded in the account "Reserve for risks and charges - other reserves". Any capital losses on credit derivatives contracts belonging to the banking book in which the Group acts as the party selling protection are also ascribed to the aforementioned reserve.

#### 2. SECURITIES AND OFF-BALANCE-SHEET TRANSACTIONS

(excluding transactions in foreign currency)

Transactions involving securities are recorded as of the settlement date; securities denominated in foreign currencies are converted into euros at the exchange rate prevailing at year end.

The cost value of securities is determined according to the weighted daily average cost method, with any issuing premiums and discounts recorded in accordance with prevailing laws.

Transfers between the trading portfolio and the investment portfolio and vice versa are effected at the value resulting from the application, as of the date of the transaction, of the evaluation methods of the portfolio of origin.

#### 2.1 INVESTMENT SECURITIES

Securities held for long-term investment purposes are valued at purchase or subscription cost adjusted for any issuing or trading premiums and discounts accrued.

The criterion for the recognition of issuing premiums and discounts is considered along with the criterion for the pro-rata recognition of trading premiums and discounts in a strict sense; both types of premiums and discounts are included in the account "Interest and similar income".

The value of investment securities is written down to reflect permanent impairment of value as a result of the solvency of the issuer and the debt-servicing capacity of the issuer's country of residence. Any writedown taken may later be reversed should the reasons therefor no longer apply.



#### 2.2 TRADING ACCOUNT SECURITIES

Securities held for trading purposes or for the purposes of the Group's treasury management are valued as follows.

Securities quoted on official markets in Italy or abroad are valued on the basis of market prices prevailing as of the close of the final trading session of the year.

Investments in mutual funds are stated at market value as calculated by the funds management companies; this criterion is consistent with that adopted for the valuation of securities traded in organized markets.

Securities not listed on official markets are valued as follows:

- Unlisted debt securities are valued at the lower of cost and "normal value"; normal value
  is objectively determined by the present value of expected cash flows on the securities,
  and by taking into account current yields on securities with similar maturity dates as of
  the end of the year;
- Unlisted equity securities are valued at cost, adjusted to reflect any significant decreases in value:
- Debt or equity securities having an economic relationship with derivatives contracts are valued in accordance with the valuation criterion adopted for the derivatives contracts.

Any gains or losses recorded on the valuation of the trading account securities are booked to Account 60 "Profits/losses from financial transactions".

Any adjustments made may later be reversed should the reasons therefor no longer apply.

#### 2.3 OWN SHARES

The investment in own shares has been fully offset by a restricted reserve set up in accordance with Article 2357 ter of the Italian Civil Code. Shares purchased for trading purposes are valued at market value in compliance with the criteria adopted for the valuation of securities traded in organized markets and belonging to the trading portfolio, whereas those acquired as a long-term investment are valued at cost.

#### 2.4 OFF-BALANCE-SHEET TRANSACTIONS (excluding those relating to foreign currency)

#### 2.4.1 Commitments for securities transactions to be settled

Contracts covering the purchase or sale of securities which have not been settled as of the date of the financial statements are reported as commitments on the basis of contractual amounts. Such contracts are valued as follows:

- Purchase commitments are valued at the lower of settlement price and market value, using the criteria adopted for the portfolio to which the securities will be added;
- Sale commitments are valued at the lower of the settlement price and the book value of the securities.

#### 2.4.2 Derivatives contracts

(on securities, interest rates, indices and other assets, excluding foreign currencies)

The valuation of derivative contracts depends on the purpose for which the contracts are executed.

Derivatives used for trading purposes are valued at market value, determined as follows:

- in the case of contracts quoted in organized markets, by using the market value as of the close of the year:
- in the case of contracts not quoted in organized markets, whose parameters of reference are prices, quotes or indices reported on information circuits normally used at an international level and in any case, parameters that may be objectively determined, by using the financial value as determined on the basis of the quotations of the aforementioned parameters reported as of the close of the year;
- in the case of other contracts, by taking into account any other specific elements determined in an objective and standard manner.

Derivatives used for hedging assets and liabilities and off-balance-sheet assets and liabilities are valued in accordance with the hedged assets and liabilities, as indicated as follows:

- at market value, if used to hedge securities belonging to the trading portfolio;
- at cost, if used to hedge interest-bearing assets or liabilities other than trading account securities, in accordance with the accounts being hedged.

The differentials and margins on contracts for hedging interest-bearing assets and liabilities other than trading account securities are calculated as part of the interest margin. If the hedging is related to specific assets and liabilities, such differentials and margins are allocated in accordance with the accrual of interest on the underlying assets and liabilities; in the case of general hedging, the differentials and margins are accrued to the interest margin in accordance with the duration of the contracts.

Any gains or losses recorded on the valuation of the derivatives contracts are accrued to Account 60 - "Profits/losses from financial transactions" in the profit and loss statement. The balancing entries are made to Account 150 - "Other assets" and Account 50 - "Other liabilities", without any offsetting of the gains and losses.

Master netting agreements are taken into account only for determining the absorption of capital required for regulatory purposes, without any significance insofar as financial statement reporting is concerned.

Derivatives contracts involved in long-term investment transactions which may eventually involve the purchase of securities to be classified as investments are valued with the criteria used for valuing investment securities.



#### 2.5 REPURCHASE AGREEMENTS

Repurchase agreements are reported as funding or lending transactions, with the relative income and expense recorded in the "Interest and similar income" and "Interest expense and other expense on borrowed funds" accounts in the profit and loss statement on an accrual basis.

#### 3. EQUITY INVESTMENTS

Investments in non-consolidated subsidiaries and in companies where the Group exerts significant influence have been valued in accordance with the net equity method. The net equity of such companies and the differences with respect to the carrying values of the investments are determined pursuant to the criteria described in hereinabove in "Consolidation criteria.". The aforementioned differences are indicated as "Positive net equity differences" or "Negative net equity differences" and if positive, the amounts are amortized over a ten-year period, which is considered the investment pay-back period.

Other shareholdings are considered as long-term investments and are valued at cost, inclusive of revaluation required by the law, ancillary charges and any writedowns to reflect permanent impairment of value on the investment whether in relation to a decrease in shareholders' equity or market trends.

Dividends and the tax credits in relation thereto are recognized at the time they are effectively realized.

# 4. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (including off-balance-sheet transactions)

Transactions in foreign currency are reported as of the settlement date.

Profits and losses from transactions denominated in foreign currency are reported using the exchange rates prevailing at the date of the transaction.

Assets and liabilities denominated in foreign currency or denominated in euros and indexed to a foreign currency are converted into euros by using the spot exchange rates prevailing at the end of the year; cross-exchange rates with the U.S. dollar as of year end were used for converting unlisted currencies into euros.

Off-balance-sheet spot transactions are converted into euros using spot rates prevailing at year end.

Off-balance-sheet forward transactions and derivative contracts are valued as follows:

- in the case of trading transactions, at the forward rate as of year end for corresponding maturities:
- in the case of hedging transactions, at a value consistent with the assets and liabilities hedged; the spot-forward exchange-rate differential is accrued to interest income or interest expense over the life of the contracts.

The result of such valuations is accrued to the profit and loss statement.

#### 5. FIXED ASSETS

Fixed assets are recorded at purchase cost, which is increased to reflect any ancillary charges or costs for improvements. In the case of buildings, the original cost may be revalued in accordance with specific laws.

The values disclosed are net of accumulated depreciation determined on the basis of maximum rates allowed by law, and reflect the estimated useful life of the assets.

#### 6. INTANGIBLE ASSETS

Intangible assets are recorded at purchase or production cost, including any ancillary charges. Amortization is computed with reference to the residual useful life of the assets, as described hereunder:

- Costs sustained for capital increases and for the parent company's stock market listing and other deferred charges are amortized on a straight-line basis over a period of five years;
- Costs sustained for commissions paid on bond issues are amortized in relation to the relative redemption schedules:
- Costs incurred for the purchase and third-party production of software are amortized on a straight-line basis over five years;
- Any other deferred charges are amortized over a maximum period of five years.

#### 7. ACCRUALS AND DEFERRALS

Accruals and deferrals are calculated in accordance with the matching principle, on the basis of the conditions applicable to the individual accounts to which the amounts refer. No provisions are made to adjust such accounts directly.

#### 8. OTHER INFORMATION

#### 8.1 DUE TO BANKS AND CUSTOMERS

Savings deposits, certificates of deposit and current-account deposits of customers and banks are stated at nominal value, including interest paid as of 31 December 2002. Interest accrued on certificates of deposit and time deposits maturing after 31 December 2002 has been recorded as interest expense, with the offsetting entry to "accrued liabilities".

#### 8.2 STAFF SEVERANCE INDEMNITY RESERVE

The staff severance indemnity reserve includes all amounts due to full-time employees as of the end of the year in accordance with prevailing laws and labor contracts. The reserve fully covers the Bank's commitments to employees as of year end.



#### 8.3 RESERVES FOR RISKS AND OTHER CHARGES

#### Pension fund and similar obligations

Pension funds have been established to cover commitments to employees entitled to a pension and include pension funds established by the parent company as well as several subsidiaries.

#### Reserve for taxes

The reserve represents a realistic estimate of tax liabilities to be paid, in accordance with prevailing tax regulations and fiscal practices in the countries where the Group operates. The reserve also includes deferred tax liabilities relative to consolidation adjustments when it is probable that such liabilities will be liquidated for the account of one or more of the consolidated companies.

#### Deferred taxes

The Bank of Italy, with its directive of 3 August 1999, and CONSOB, with its memorandum of 30 July 1999, mandated the application of the Italian Accounting Principle No. 25 approved by the Italian Association of Professional Accountants ("Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri"). Pursuant to this accounting principle, deferred tax assets and deferred tax liabilities are recorded, respectively, in the balance sheet accounts, "other assets" and "reserve for taxes". In respect of the general principle of prudence, deferred tax assets are recognized only to the extent that there is reasonable certainty of sufficient taxable income being realized in future years so as to allow for full absorption of the taxes in the specific years in which the amounts prepaid due to timing differences become deductible for tax purposes. This determination must be made at the end of every financial year in order to ensure the condition of recoverability.

#### Other reserves

Other reserves include provisions made to cover risks on guarantees released and commitments undertaken, and reserves to cover liabilities which are probable or certain but whose amount or settlement date were unknown as of the date of the financial statements.

#### 8.4 RESERVE FOR LOAN LOSSES

The reserve covers only potential risks and therefore is not used for adjusting the value of any assets.

#### 8.5 RESERVE FOR GENERAL BANKING RISKS

The reserve has been set up in accordance with Article 11, Paragraph 2 and 3 of Legislative Decree 87/92, in order to cover risks on general banking business.

#### 8.6 PROFIT AND LOSS STATEMENT

Interest and commission income and expense are recognized in accordance with the accrual accounting method. Interest income and expense include other income and charges of the same nature, including issuing premiums and discounts on trading and investment securities.

The criteria used for the determination of accruals and deferrals make reference to the concept of allocation of income and expenses applicable to two or more years.

#### 8.7 CURRENCY OF ACCOUNT

All amounts in the balance sheet and the profit and loss statement are denominated in euros, whereas the amounts in the notes to the financial statements are denominated in thousands of euros.

In the schedules attached to the financial statements, specific indication is given of any amounts denominated in other currencies.



#### SECTION 2 - ADJUSTMENTS AND FISCAL PROVISIONS

2.1 Adjustments made exclusively for the purpose of compliance with fiscal laws.

No adjustments were made.

2.2 Provisions made exclusively for the purpose of compliance with fiscal laws.

No provisions were made.

Comments regarding events occurring after the date of the financial statements, relationships between other Group companies, and future developments are provided in the Report of the Board of Directors.

# PART B INFORMATION ON THE CONSOLIDATED BALANCE SHEET

#### **SECTION 1 - LOANS**

Amounts due from banks and customers are stated at the estimated realizable value

#### 1.1 COMPOSITION OF ACCOUNT 30 - AMOUNTS DUE FROM BANKS

	31.12.2002	31.12.2001
a) Amounts due from central banks	882,843	2,558,210
b) Bills eligible for refinancing with central banks	4,247	4,952
c) Credit for financial lease contracts	-	-
d) Repurchase agreements	9,056,638	2,471,430
e) Securities lending	-	<u>-</u>

The balance reflected in a) includes mandatory reserves in the amount of EUR 847,400,000

The composition of the account is as follows:

	31.12.2002	31.12.2001
Sight	2,464,429	2,505,281
Current accounts Demand deposits Other accounts	437,222 2,007,716 19,491	541,751 1,830,690 132,840
Time or requiring advance notice of withdrawal	13,562,653	11,374,809
Bank of Italy and other central banks Time deposits Loans and subsidies Mortgage loans Repurchase agreements Other	882,843 2,316,725 769,153 - 9,056,638 537,294	2,314,945 5,488,903 993,271 - 2,471,430 106,260
Total	16,027,082	13,880,090

Cash credits to banks are summarized in the following table and include past-due interest

31.12.2002

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	240,975	17,829	223,146
A.1 Non-performing loans	6,177	4,945	1,232
A.2 Watch-list credits	12,482	3,429	9,053
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	222,316	9,455	212,861
B. Performing loans	15,803,935	-	15,803,935





	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	330,517	22,548	307,969
A.1 Non-performing loans	6,408	5,177	1,231
A.2 Watch-list credits	12,902	3,032	9,870
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	311,207	14,339	296,868
B. Performing loans	13,572,121	-	13,572,121

#### 1.2 COMPOSITION OF ACCOUNT 40 - CUSTOMER LOANS AND ADVANCES

	31.12.2002	31.12.2001
a) Bills eligible for refinancing with central banks     b) Credits for financial lease contracts	27,618 -	29,631 1,974,404
c) Repurchase agreements	1,066,683	1,003,353 3

#### The composition of the account is as follows:

	31.12.2002	31.12.2001
Current accounts	13,024,249	11,652,013
Discounted notes	548,696	584,254
Repurchase agreements	1,066,683	1,003,353
Mortgages	28,875,404	25,607,988
Advances	5,440,235	6,384,968
Advances and subsidies	11,761,224	11,817,079
Personal loans	1,072,669	1,884,648
Leasing	3,543,031	2,283,175
Transactions with third-party funds	5,101	6,347
Non-performing loans	1,011,427	778,159
Other	2,123,251	1,036,113
Total	68.471.970	63.038.097

Customer loans are summarized in the following table:

31			

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	3,624,056	1,198,290	2,425,766
A.1 Non-performing loans	1,842,849	831,423	1,011,426
A.2 Watch-list credits	1,529,452	351,397	1,178,055
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	63,868	7,519	56,349
A.5 Unsecured loans to high-risk nations	187,887	7,951	179,936
B. Performing loans	66,280,998	234,795	66,046,203

The amounts in the table include past-due interest

31.12.2001

	Total Outstanding	Total Valuation Adjustments	Net Exposure
A. Doubtful loans	2,860,578	912,321	1,948,257
A.1 Non-performing loans	1,418,095	639,937	778,158
A.2 Watch-list credits	1,190,410	255,428	934,982
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	52,260	7,566	44,694
A.5 Unsecured loans to high-risk nations	199,813	9,390	190,423
B. Performing loans	61,298,844	209,004	61,089,840

The amounts in the table include past-due interest

### 1.3 SECURED CUSTOMER LOANS AND ADVANCES

Secured customer loans and advances, including outstandings which are partially secured, are summarized in the following table, which excludes loans to governments and public entities:

Total	33,263,999	29,678,996
	11,396,347	11,249,413
other	10,724,067	10,297,739
banks	634,844	904,669
other public-sector entities	37,436	30,743
c) loans secured by guarantees of: governments	-	16,262
	3,527,011	2,966,235
other negotiable instruments	270,368	575,452
securities	2,466,070	2,009,041
cash deposits	790,573	381,742
a) loans secured by mortgages     b) loans secured by liens on:	18,340,641	15,463,348
	31.12.2002	31.12.2001

# 1.4 NON-PERFORMING LOANS TO CUSTOMERS (including past-due interest)

The non-performing loans to customers total EUR 1,012,658,000 inclusive of past-due interest which are fully covered by reserves.

	31.12.2002	31.12.2001
Nominal value	1,849,026	1,424,503
Valuation adjustments	836,368	645,114
Book value	1,012,658	779,389



# 1.5 LOANS FOR PAST-DUE INTEREST

The nominal value of loans for past-due interest is shown below:

	31.12.2002	31.12.2001
a) Non-performing loans	218,973	186,185
b) Other credits	29,562	24,292
c) Amounts due from taxpayers	695,216	1,752,795
Total	943,751	1,963,272
Valuation adjustments	921,676	1,938,429
	(*) 22,075	24,843

<sup>(\*)</sup> Past-due interest considered as recoverable by several subsidiaries

# 1.6 DETAIL OF VALUATION ADJUSTMENTS (IN PRINCIPAL) TO CUSTOMER LOANS AND AMOUNTS DUE FROM BANKS

31.12.2002

	Nominal Value	Doubtful Amount	Net Amounts
Non-performing loans	1,630,053	836,368	793,685
Watch-list credits and past-due amount	s 1,576,240	362,345	1,213,895
Country risk	410,203	17,406	392,797
Total	3,616,496	1,216,119	2,400,377
Lump-sum adjustment		234,795	
		1,450,914	

31.12.2001

	Nominal Value	Doubtful Amount	Net Amounts
Non-performing loans	1,212,716	433,326	779,390
Watch-list credits and past-due amount	s 1,231,092	241,545	989,547
Country risk	511,020	23,729	487,291
Total	2,954,828	698,600	2,256,228
Lump sum adjustment		209,003	
		907,603	

# ■ TREND OF DOUBTFUL LOANS TO CUSTOMERS

			Loans in the		Unsecured
Description/Category	Non-Performing	Watch-list	Process of	Restructured	Loans to
	Loans	Credits	Restructuring	Loans	High-Risk
					Nations
A. Total outstanding as of 31/12/2001	1,418,095	1,190,410	-	52,259	199,812
A.1 including: past-due interest	200,963	23,263	-	296	166
B. Increases	914,658	1,247,219	-	41,996	4,078
B.1 new performing loans	368,911	927,464	-	19,940	47
B.2 past-due interest	52,844	14,216	-	123	-
B.3 transfer from other categories of					
doubtful loans	311,706	20,128	-	8,920	
B.4 other increases	181,197	285,411	-	13,013	4,031
C. Decreases	489,904	908,177	-	30,387	16,003
C.1 reclassified as performing loans	3,381	61,996	-	-	-
C.2 cancellations	184,574	5,946		-	
C.3 recoveries	213,144	465,788	_	9,932	13,031
C.4 sales	-	-		-	-
C.5 transfer to other categories					
of doubtful loans	1,490	318,808	-	20,455	-
C.6 other decreases	87,315	55,639	-	-	2,972
D. Total outstanding as of 31/12/2002	1,842,849	1,529,452	-	63,868	187,887
D.1 including: past-due interest	218,633	25,473		419	63

# ■ TREND OF TOTAL VALUATION ADJUSTMENTS TO CUSTOMER LOANS

			Loans in the		Unsecured	
Description/Category	Non-Performing	Watch-list	Process of	Restructured	Loans to	Performing
	Loans	Credits	Restructuring	Loans	High-Risk	Loans
A Valuation of 21/12/2001					Nations	
A. Valuation adjustments as of 31/12/2001	620.027	255 420		7.564	0.200	200.004
pro forma	639,937	255,428	-	7,564	9,390	209,004
A.1 including: past-due interest	179,985	21,586		296	149	1,919
B. Increases	495,719	244,280	-	2,611	3,697	96,635
B.1 valuation adjustments (*)	332,318	207,744		1,853	3,673	70,241
B.1.1 including: past-due interest	47,061	13,000	-	123		1,280
B.2 use of loan loss reserves	12,419	455	-			
B.3 transfer from other categories	76,795	4,233		758	-	5,597
B.4 other increases	74,187	31,848	-	-	24	20,797
C. Decreases	304,234	148,312	-	2,657	5,136	70,846
C.1 recoveries - valuation adjustments	25,817	41,821	-	892	4,940	32,303
C.1.1 including: past-due interest	307	35	-		-	
C.2 cash recoveries	17,391	18,076		499	180	20,802
C.2.1 including: past-due interest	5,523	3,811			71	1,107
C.3 cancellations	174,872	5,887		-		583
C.4 transfer to other categories	324	74,955	-	1,266	-	10,839
C.5 other decreases	85,830	7,573		-	16	6,319
D. Valuation adjustments as of 31/12/2002	831,422	351,396	-	7,518	7,951	234,793
D.1 including: past-due interest	200,033	23,825		419	63	1,782

<sup>(\*)</sup> Item B.1 includes EUR 27,213,000 of adjustments made by the parent company relative to non-performing securitizations carried out in prior years, EUR 6,200,000 of adjustments made by Banca Toscana which cover 20 percent of the total loss on a securitization transaction carried out in May 2001, and EUR 239,000 of adjustments made by Banca Popolare di Spoleto for securitization transactions closed in 2000 and 2001.



### ■ TREND OF DOUBTFUL LOANS TO BANKS

			Loans in the		Unsecured
Description/Category	Non-Performing	Watch-list	Process of	Restructured	Loans to
	Loans	Credits	Restructuring	Loans	High-Risk
					Nations
A. Total outstanding as of 31/12/2001	6,408	12,902	-	-	311,207
A.1 including: past-due interest					
B. Increases	86	5,013	-	-	5,056
B.1 new performing loans	-	5,013			2,356
B.2 past-due interest	86	-			
B.3 transfer from other categories					
B.4 other increases	-	-			2,700
C. Decreases	317	5,433	-	-	93,946
C.1 reclassified as performing loans					-
C.2 cancellations	-	973			-
C.3 recoveries	317	4,434			51,122
C.4 sales					
C.5 transfer to other categories					
C.6 other decreases	-	26			42,824
D. Total outstanding as of 31/12/2002	6,177	12,482	-	-	222,317
D.1 including: past-due interest	340				

# ■ TREND OF TOTAL VALUATION ADJUSTMENTS TO LOANS TO BANKS

Description/Category	Non-Performing Loans	Watch-list Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31/12/2001						
pro forma	5,177	3,032	-	-	-	14,340
A.1 including: past-due interest	255	-	-	-	-	-
B. Increases	85	2,448	-	-	-	4,329
B.1 valuation adjustments	85	2,448				4,329
B.1.1 including: past-due interest	85					
B.2 use of loan loss reserves	-					
B.3 transfer from other categories		-				
B.4 other increases	-	-				-
C. Decreases	317	2,051	-	-	_	9,214
C.1 recoveries – valuation adjustments C.1.1 including: past-due interest	-	26				5,158
C.2 cash recoveries C.2.1 including: past-due interest	317	1,053				4,056
C.3 cancellations	_	972				
C.4 transfer to other categories		-				
C.5 other decreases						-
D. Valuation adjustments as of 31/12/2002	4,945	3,429	-	-	-	9,455
D.1 including: past-due interest	340	-	-	-	-	-

# 1.7 COMPOSITION OF ACCOUNT 10 - CASH AND CASH ON DEPOSIT WITH CENTRAL **BANKS AND POST OFFICES**

	31.12.2002	31.12.2001
Notes and coins	484,158	420,880
Money orders and bank drafts	52,014	46,825
Cash on deposit with Bank of Italy and central banks	18,933	41,197
Cash on deposit with post offices	278,569	172,248
Other	-	-
Total	833,674	681,150

# **SECTION 2 - SECURITIES**

Securities held by the Bank are reported in the balance sheet as follows:

			31.12.2002
Investr	nent Securities	Trading Securities	Total
20 Treasury bonds and similar instruments			
eligible for refinancing	51,624	490,011	541,635
50 - Bonds and other fixed-income securities	4,398,945	11,055,627	15,454,572
60 - Shares, quotas and other equity securities	2,066	912,314	914,380
Total	4,452,635	12,457,952	16,910,587
			31.12.2001
Investr	nent Securities	Trading Securities	Total
20 Treasury bonds and similar instruments			
eligible for refinancing	224,082	958,958	1,183,040
50 Bonds and other fixed-income securities	4,084,135	8,713,214	12,797,349
60 Shares, quotas and other equity securities	2,066	1,509,146	1,511,212
Total	4,310,283	11,181,318	15,491,601

#### 2.1 INVESTMENT SECURITIES

The holdings in the investment securities portfolio are made up as follows:

	31.12	.2002	31.1	2.2001
	Book Value	Market Value	Book Value	Market Value
1. Debt securities	4,450,569	4,419,244	4,308,217	4,260,642
1.1 Government securities	1,042,751	1,033,485	960,806	933,871
- Listed	1,010,493	1,000,565	934,858	907,923
- Unlisted	32,258	32,920	25,948	25,948
1.2 Other securities	3,407,818	3,385,759	3,347,411	3,326,771
- Listed	2,267,778	2,053,866	2,431,551	2,414,794
- Unlisted	1,140,040	1,331,893	915,860	911,977
2. Equity securities	2,066	1,760	2,066	2,066
- Listed	2,066	1,760	-	-
- Unlisted	-	-	2,066	2,066
Total	4,452,635	4,421,004	4,310,283	4,262,708

Investment securities incorporate latent capital losses of EUR 31,631,000 as computed on the basis of prices for the six-month period prior to the date of the financial statements. The credit risk on several junior securities held in the portfolio has been hedged through the execution of specific derivatives (total return swaps).



#### 2.2 ANNUAL CHANGES IN INVESTMENT SECURITIES

	31.12.2002	31.12.2001
A. Opening balance	4,310,283	5,305,048
B. Increases	1,424,714	1,595,480
B.1 Purchases	1,057,317	1,152,686
B.2 Recoveries in value	7,277	918
B.3 Transfers from trading account portfolio	360,120	140,732
B.4 Other changes	-	301,144
C. Decreases	1,282,362	2,590,245
C.1 Sales	83,604	1,448,209
C.2 Redemptions	1,086,788	1,068,678
C.3 Valuation adjustments	27,780	10,882
including: permanent writedowns	-	10,421
C.4 Transfers to trading account portfolio	1,010	1,417
C.5 Other changes	83,180	61,059
D. Closing balance	4,452,635	4,310,283

Points B.4 and C.5 mainly include the accruals of issuing and trading discounts and foreign-exchange differences. The securities transferred from the trading portfolio (see point B.3) are mainly those held by Banca 121 S.p.A.'s business unit that was acquired by the parent company as of 30 March 2002, and which were transferred pursuant to a resolution of the Board of Directors approved on 3 July 2002. The amount includes only securities that had been classified in the Banca 121 trading portfolio.

The sales during the year include the parent company's sale of Olimpia bonds (see point C.1) (convertible into Olivetti shares) in accordance with a resolution of the Board of Directors of 28 November 2002, and Banca Toscana's sale of a convertible bonded loan (Conte of Florence) in the amount of EUR 3,500,000. The latter transaction is part of a Group project to take merchant banking assets held by the various banks and to shift those assets to MPS Merchant.

Finally, the valuation adjustments (see point C.3) refer to junior securities issued as part of securitization transactions originated by Banca MPS in 2001 (EUR 18,700,000, including EUR 3,740,000 charged to the profit and loss statement and EUR 14,960,000 charged to the extraordinary reserve) and to corporate securities of certain issuers the solvency of which has been permanently impaired (EUR 7,725,000).

#### 2.3 TRADING ACCOUNT SECURITIES

Trading account securities include the following: 31.12.2002

31.12.2001

	Book Value	Market Value	Book Value	Market Value
1. Debt securities	11,545,637	11,550,974	9,672,172	10,028,829
1.1 Government sec	urities 4,726,706	4,726,775	4,775,610	4,775,665
- Listed	4,702,017	4,702,017	4,700,600	4,700,601
- Unlisted	24,689	24,758	75,010	75,064
1.2 Other securities	6,818,931	6,824,199	4,896,562	5,253,164
- Listed	3,838,036	3,838,374	2,448,332	2,441,053
- Unlisted	2,980,895	2,985,825	2,448,230	2,812,111
2. Equity securities	912,315	913,482	1,509,146	1,514,733
- Listed	671,395	671,413	1,230,050	1,230,050
- Unlisted	240,920	242,069	279,096	284,683
Accrued interest	-	-	-	-
Total	12,457,952	12,464,456	11,181,318	11,543,562

The market value is roughly EUR 6,504,000 higher than book value due to potential gains which are not posted to the Profit & Loss account on unlisted securities unrelated to derivatives.

The trading portfolio as of 31 December 2002 includes securities relative to pension funds for the Group's personnel. The aforementioned total incorporates EUR 55,931,000 relative to a defined contribution plan set up by the parent company and EUR 149,200,000 related to a plan established by Banca Toscana for employees meeting eligibility requirements as of 1 January 1991.

#### 2.4 ANNUAL CHANGES IN TRADING ACCOUNT SECURITIES

	31.12.2002	31.12.2001
A. Opening balance	11,181,318	10,181,466
B. Increases	273,464,875	411,245,598
B.1 Purchases	272,813,809	410,659,120
- Debt securities:	259,218,563	400,525,823
Government securities	223,045,378	345,999,431
Other securities	36,173,185	54,526,392
- Equity securities	13,595,246	10,133,297
B.2 Revaluations and recoveries in value	174,675	120,089
B.3 Transfers from investment securities portfolio	1,010	1,417
B.4 Other changes	475,381	464,972
C. Decreases	272,188,241	410,245,746
C.1 Sales and redemptions	271,378,680	409,455,495
- Debt securities:	257,804,033	400,013,373
Government securities	223,599,527	345,762,411
Other securities	34,204,506	54,250,962
- Equity securities	13,574,647	9,442,122
C.2 Valuation adjustments	185,447	192,664
C.3 Transfers to investment securities portfolio	624,114	140,732
C.4 Other changes	-	456,855
D. Closing balance	12,457,952	11,181,318

Transfers to the investment portfolio (point C.3) include the following transactions relative to the parent company: a) securities acquired as part of the parent company's acquisition of a business unit of Banca 121 S.p.A. on 30 March 2002;

b) transfers to equity investments of securities issued by Banca Toscana S.p.A., Banca Agricola Mantovana S.p.A. and E.Biscom S.p.A. for a total of EUR 263,994,000, as approved by the parent company's Board of Directors on 10 October 2002 and 28 November 2002;

Points B.2 and C.2 are inclusive of securities relative to the defined contribution pension plan set up for eligible employees as of 1 January 1991. Accordingly, the values reported in the table are inclusive of changes relative to the mentioned plan.



# SECTION 3 – EQUITY INVESTMENTS

Equity investments of the MPS Group are summarized in the table below

Investments in other companies valued at cost  Total	1,541,376 <b>2,188,704</b>	2,320,904 <b>2,918,953</b>
Investments in other companies valued with net equity method	62,555	36,244
Investments in Group companies valued at cost	145,511	234,395
Investments in Group companies valued with net equity method	439,262	327,410
	31.12.2002	31.12.2001

# 3.1 SIGNIFICANT EQUITY INVESTMENTS

Details of significant equity investments held by the MPS Group are reported in the following tables:

COMPANY	(	HEAD	TYPE	NET	PROFIT/	SHAREH	HOLDING	VOTING	воок
		OFFICE	(**)	EQUITY	LOSS	Investing Co.	% Held	%	VALUE
	<b>A.1 Companies included in the consolidation</b> (fully consolidated)								
A.0	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	Siena		5,660,414	627,497				XXX
A.1	BANCA TOSCANA S.P.A.	Florence	1	1,286,003	125,009	A.0	64.211	64,211	xxx
A.2	MPS BANCA VERDE S.P.A.	Florence	1	113,366	9,213	A.0	67.000	96,230	xxx
						A.1	29.230		
A.3	MPS MERCHANT								
	BANCA PER LE PICCOLE E MEDIE IMPRESE S.P.A.	Florence	1	281,201	30,085	A.0	88,053	99,733	XXX
						A.1	11.680		
A.4	BANCA 121 PROMOZIONE FINANZIARIA S.p.A.	Lecce	1	158,211	(1,789)	A.0	65.546	65,546	
A.5	BANCA C. STEINHAUSLIN & C. S.P.A.	Florence	1	37,696	(15,106)	A.0	100.000	100,000	
A.6	MPS GESTIONE CREDITI S.p.A.	Siena	1	103,156	3,156	A.0	99.500	100,000	
	·					A.1	0.500		
A.7	MPS LEASING E FACTORING S.p.A.	Siena	1	250,397	11,032	A.0	82.624	95,780	
	·					A.1	6.647		
						A.9	6.509		
A.8	MPS FINANCE BANCA MOBILIARE S.P.A.	Siena	1	274,457	74,056	A.0	100.000	100,000	xxx
A.9	GRUPPO BANCA AGRICOLA MANTOVANA	Mantua		960,398	94,483	A.0	65.546	65,546	xxx
9.1	BANCA AGRICOLA MANTOVANA S.p.A.	Mantua		1,041,074	101,537	A.0	65.546		
9.2	BANCA AGRICOLA MANTOVANA RISCOSSIONI S.p.A.	Mantua		868	(81)	A.9	100.000		
	PADANA RISCOSSIONI S.p.A.	Mantua		3,519	(14)	A.9	54.538		
	PADANA IMMOBILIARE S.p.A.	Mantua		29,833	3,685	A.9	100.000		
	MANTOVANA IRELAND LTD.  MANTOVANA MANAGEMENT LTD.	Dublin Dublin		89,168 2,655	11,132 2,426	A.9 A.9	100.000 100.000		
	G.I. PROFIDI SIM S.p.A.	Rome		3,378	64	A.9	100.000		
	AGRISVILUPPO S.p.A.	Mantua		1,508	(28)	A.9	84.867		
	•					A.2	9.500		
A.10	MPS ASSET MANAGEMENT S.P.A.	Milan	1	98,458	27,845	A.0	79.980	98,733	XXX
						A.1	6.333		
						A.9	8.505		
						A.4	3.915		
10.1	MPS ALTERNATIVE SGR	Milan		6,084	21	A.10	100.000	100,000	
A.11	121 FINANCIAL SERVICE LTD	Dublin		49,252	2,430	A.0	100.000	100,000	
A.12	INTERMONTE SECURITIES SIM S.p.A.	Milan	1	76,211	29,634	A.8	34.653	69,306	xxx
						A.9	34.653		
12.1	WEB SIM S.p.A.	Milan		6,429	1,574	A.12	84.000	84,000	
A.13	MONTE PASCHI FIDUCIARIA S.P.A.	Siena	1	1,340	40	A.0	86.000	100,000	xxx
						A.1	14.000		
A.14	ULISSE S.p.A.	Milan	1	75	-	A.0	60.000	60,000	
A.15	ULISSE 2 S.p.A.	Milan	1	100	-	A.0	60.000	60,000	
	•							,	



COMPAI	NY	HEAD	TYPE	NET	PROFIT/	7/ SHAREHOLDING		VOTING	BOOK
		OFFICE	(**)	EQUITY	LOSS	Investing Co.	% Held	%	VALUE
A.16	CONSUM.IT S.P.A.	Florence	1	32,285	3,052	A.0 A.1	70.000 30.000	100,000	xxx
A.17	AMMINISTRAZIONI IMMOBILIARI S.P.A.	Siena	1	60,123	1,221	A.0	100.000	100,000	xxx
A.18	BA. SA. S.p.A.	Lecce		9,780	(210)	A.0	99.979	99,979	
A.19	G.IMM.ASTOR Srl	Lecce		1,680	141	A.0	52.000	52,000	
A.20	PASCHI GESTIONI IMMOBILIARI S.p.A.	Siena		5,514	129	A.0	100.000	100,000	xxx
A.21	CONSORZIO OPERATIVO GRUPPO MPS	Siena		140,324	-	A.0	71.685	99,891	xxx
						A.1	20.124		XXX
						A.3	0.028		
						A.2	0.028		
						A.5	0.028		
						A.7	0.028		
						A.9	7.886		
						A.6	0.028		
						A.4	0.028		
						A.8	0.028		
A.22	4SALE ITALIA S.p.A.	Siena		(511)	(2,048)	A.0	78.000	78,000	
A.23	I AM.IT S.p.A.	Siena		11,095	(9,093)	A.0	99.500	99,500	
A.24	ITALRISCOSSIONI S.p.A.	Rome		10,089	(46)	A.0	100.000	100,000	xxx
A.25	G.E.R.I.T. S.P.A.	L'Aquila	1	2,382	(1,361)	A.0	95.572	99,979	xxx
						A.9	4.407		
A.26	MONTE PASCHI SERIT S.p.A.	Palermo	1	2,461	(52,502)	A.0	100.000	100,000	xxx
A.27	SO.RI.T. S.p.A.	Foligno	1	2,243	(347)	A.0	54.593	54,593	58
A.28	BANCA MONTE PASCHI BELGIO S.A.	Brussels	1	53,034	(6,548)	A.0	64.473	100,000	XXX
						A.1	35.527		
A.29	BANCA MONTE PASCHI SUISSE S.A.	Geneva	1	21,401	344	A.0	99.997	99,997	xxx
A.30	MPS PREFERRED CAPITAL   LLC	New Yiork		29,831	3,056	A.0	100.000	100,000	
A.31	MONTE PASCHI BANQUE S.A.	Paris	1	92,907	9,240	A.0	70.175	100,000	XXX
						A.1	29.825		
31.	1 MONTE PASCHI CONSEIL FRANCE	Paris	1	(*)	(*)	A.31	99.840	99,840	
	2 MONTE PASCHI INVEST FRANCE S.A.	Paris	1	(*)	(*)	A.31	99.973	99,973	
	3 M.P. ASSURANCE S.A.	Paris	1	(*)	(*)	A.31	99.600	99,600	
	4 S.N.C. IMMOBILIARE POINCARE	Paris	1	(*)	(*)	A.31	100.000	100,000	
	5 IMMOBILIARE VICTOR HUGO	Paris	1	(*)	(*)	A.31	100.000	100,000	
3	5 mm.esian ne vieren neee		·	( )	( )	75		.00,000	
A.32	MONTEPASCHI LUXEMBOURG S.P.A.	Brussels		530	216	A.0 A.31	99.200 0.800	100,000	
A.33	M.P.S. COMMERCIAL PAPER	New York	1	285	15	A.0	100.000	100,000	xxx
A.34	BANCA MONTE PASCHI (CHANNEL ISLANDS) LTD	Guernsey C.	1	10,554	115	A.0	100.000	100,000	
	1 CITY NOMINESS LTD	Guernsey C.	1	(*)	(*)	A.34	100.000	100,000	
5 1.			•	( )	( )		. 55.666	. 50,000	

COMPAN	Υ	HEAD	TYPE	NET	PROFIT/	SHARE	HOLDING	VOTING	BOOK
		OFFICE	(**)	EQUITY	LOSS	Investing Co.	% Held	%	VALUE
34. 34.	2 BMPS CORPORATE SERVICES LTD 3 BMPS NOMINESS (CI) LTD 4 BMPS TRUSTEES (CI) LTD 5 SAINTS TRUSTEES LTD	Guernsey C. Guernsey C. Guernsey C. Guernsey C.	1 1 1	(*) (*) (*) (*)	(*) (*) (*) (*)	A.34 A.34 A.34 A.34	100.000 100.000 100.000 100.000	100,000 100,000 100,000 100,000	
	<b>A.2 Companies included in the consolidation</b> (consolidated with proportional method)								
A.35	BANCA POPOLARE DI SPOLETO S.P.A. (book value: 20% of nominal value)	Spoleto	1	22,045	1,529	A.0	20.000	20,000	xxx
A.36	BANCA MONTE PARMA S.p.A. (book value: 41% of nominal value)	Parma	1	59,036	6,423	A.0	41.000	41,000	xxx
A.37	S.E.I.T S.p.A. (book value: 40.205% of nominal value)	Parma		2,223	327	A.36	40.205	40,205	xxx
	<b>B. Group companies valued with net equity met</b> (detail of Account 80 a)	:hod							
B.1	MONTE PASCHI VITA S.P.A.	Rome	1	267,843	34,263	A.0	100.000	100,000	270,403
B.2	TICINO - COMP.ITAL. ASS.NI S.P.A. (***)	Rome	1	31,406	2,011	A.0	100.000	100,000	31,406
B.3	TICINO VITA S.P.A.	Rome	1	79,611	3,733	A.1 B.1	40.000 60.000	100,000	74,156
B.4	DIPRAS S.P.A. (***)	Rome		1,383	529	A.0	100.000	100,000	1,449
B.5	GROW LIFE LTD.	Dublin	1	48,561	24,765	A.0 B.1	40.000 60,000	100,000	17,624
B.6	E-IDEA S.P.A.	Rome		2,198	(1,631)	A.0 A.1	70.000 30.000	100,000	1,962
B.7	MPS NET S.P.A.	Siena		35,421	(14.818)	A.0 A.3	99.000 1.000	100,000	33,598
B.8	SAN PAOLO ACQUE S.r.I.	Lecce		410	-	A.0	100.000	100,000	245
B.9	MAGAZZINI GENERALI FIDUCIARI MANTOVA S.p.A	. Mantua	1	8,419	23	A.9	100.000	100,000	8,419
	Total								439,262
	C. Other companies valued with net equity met (detail of Account 70 a)	hod							
C.1	BANQUE DU SUD	Tunis		107,371	-	A.0	14.961	14,961	16,064
C.2	CONSORZIO AEROPORTO SIENA S.p.A. (***)	Siena	8	2,460	-	A.0 A.1	20.000 20.000	40,000	808



COMPA	NY	HEAD	TYPE	NET	PROFIT/	SHARE	HOLDING	VOTING	воок
		OFFICE	(**)	EQUITY	LOSS	Investing Co.	% Held	%	VALUE
C.3	FIDI TOSCANA S.p.A. (***)	Florence	8	61,005	398	A.0	13.390	28,875	15,414
						A.1	10.359		
						A.3	4.127		
						A.2	0.999		
C.4	I.B.A. VIENNA	Vienna	8	11,598	1,296	A.0	35.007	35,007	4,060
C.5	LINEAR COMPAGNIA ASS. S.p.A.	Bologna	8	23,484	3,600	A.9	20.000	20,000	4,697
C.6	QUADRIFOGLIO VITA S.p.A.	Bologna	8	36,874	9,300	A.9	50.000	50,000	18,437
C.7	S.ES.IT PUGLIA S.p.A. (***)	Bari	8	(1,353)	(3,806)	A.0	35.000	35,000	-
C.8	SI.CI. Sviluppo Imprese Centro Italia S.p.A.	Florence		5,534	263	A.3	45.000	45,000	2,381
C.9	S.I.S. IMMOBILI S.p.A.	Villafranca		2,508	-	A.9.4	24.000	24,000	622
C.10	UNION CAPITAL SIM S.p.A. (in liquidazione)	Milan	8	199	(92)	A.19	36.000	36,000	72
	Total							-	62,555

<sup>(\*)</sup> Companies already included in the consolidated financial statements of their respective parent companies

<sup>(\*\*)</sup> Code 1 indicates majority of voting rights in the Ordinary Shareholders' Meeting; code 8 indicates associated companies

<sup>(\*\*\*)</sup> The data are relative to the financial statements as of 30 June 2002

# ■ COMPANIES VALUED AT COST

	Company	Registered Office	% Held	Book Value
	Banks			
1	Alpha Bank Romania S.A.	Bucharest	3.501	3,351,955
2	Banca Antoniana Popolare Veneta S.c.r.l.	Padua	-	8,009
3	Banca Centrale per il Leasing Italease S.p.A.	Milan	5.705	13,931,132
4	Banca della Ciociaria S.p.A.	Frosinone	10.072	4,846,126
5	Banca dell'Umbria S.p.A.	Perugia	0.024	25,075
6	Banca di Sassari S.p.A.	Sassari	0.003	1,343
7	Banca d'Italia	Rome	2.503	3,964
8	Banca Nazionale del Lavoro S.p.A.	Rome	4.497	245,115,776
9	Banca Popolare di Intra Verbania	Intra	0.005	32,268
10	Banca Popolare Etica S.c.a.r.l.	Padua	0.211	28,405
11	Ca.Ri.Ce.Se. S.r.I.	Bologna	3.674	55,777
12	Cariprato C. Risp. Prato S.p.A.	Prato	79.000	132,396,308
13	Cassa di Risparmio di Savona S.p.A.	Savona	0.546	1,198,180
14	Cattolica Popolare Scarl	Molfetta (BA)	0.048	14,369
15	Centrobanca S.p.A.	Milan	0.004	17,176
16	Efibanca S.p.A.	Rome	0.001	2,164
17	European Investment Fund	Luxembourg	0.250	1,000,000
18	Iccrea Holding S.p.A.	Rome	0.012	50,165
19	ICCRI	Rome	0.048	-
20	Intesa BCI S.p.A.	Milan	0.002	336,135
21	Ist. per il credito sportivo	Rome	10.811	27,372,216
22	Istituto Centrale Banche Popolari Italiane	Rome	0.082	31,125
23	Isveimer S.p.A.	Rome	0.002	-
24	Ljudska Banca D.D.	Ljubljana	2.986	745,900
25	Ludova Banka Bratislava A.S.	Bratislava	3.360	1,078,505
26	Magyarorszagi Volksbank	Budapest	3.700	1,156,740
27	Mercobank S.A.	Buenos Aires	0.118	-
28	Monte Paschi Nederland	Amsterdam	100.000	265,324
29	N.G.S. Bank	Moscow	1.446	-
30	S.E.V. S.p.A.	Rome	0.125	10,329
31	Tein Plc	London	100.000	4,300,452
32	U.B.A.	Lagos	2.400	485,405
33	Volksbank As	Brno (Czech Republi		826,070
34	Volksbank d.d.	Zagreb	2.500	357,114
				439,043,507
	Financial Services			
35	121 Fund Management Limited	Dublin	100.000	1
36	3R Management SGECR S.A.	Madrid (E)	10.000	60,104
37	Adela Investment Co.	Luxembourg	0.624	-
38	Agrifactoring S.p.A. (in liquidation)	Rome	2.500	1
39	Borsa Italiana S.p.A.	Milan	10.360	41,570,270
40	Brasilinvest & Partners SA	Sao Paulo	0.839	-
41	C.B.I. Factor	Milan	0.823	355,333
42	Colomba Invest SIM S.p.A.	Rome	0.880	13,634
43	Commerfin S.c.p.a.	Rome	15.000	156,076
44	Confidi Coop Marche S.c.r.l.	Ancona	5.214	51,646
45	Consorzio Siat Scarl	San Severo (FG)	2.500	12,911
46	E.R.V.E.T. S.p.A.	Bologna	2.550	350,675
47	Ecu Sim S.p.A. (in liquidation)	Milan	2.301	1
48	Euronext N.V.	Amsterdam	-	3,931
49	Europay Belgium	Brussels	0.244	1,859
50	Europrogetti & Finanza S.p.A.	Rome	10.113	1,281,554
51	F.D.L. Servizi S.r.l.	Bari	5.000	10,329



	Company	Registered Office	% Held	Book Value
52	Factorit S.p.A.	Milan	3.418	1,667,196
53	Farmafactoring S.p.A.	Milan	11.000	1,230,028
54	Fiera di Galatina e del Salento S.p.A.	Galatina (LE)	7.143	51,646
55	FIME Finanz. Meridionale S.p.A.	Rome	1.933	1
56	Finaosta S.p.A.	Aosta	0.563	560,433
57	Fincalabra S.p.A.	Catanzaro	3.306	263,651
58	Fincasa 44 S.p.A.	Rome	18.719	11,808,083
59	Finlombarda S.p.A.	Milan	0.160	10,742
60	Finpuglia S.p.A.	Bari	0.767	80,027
61	Finsoe S.p.A.	Bologna	25.601	230,240,314
62	G.A.L. Terra dei Messapi S.r.l.	Mesagne (BR)	9.524	2,017
63	Gepafin S.p.A.	Perugia	4.333	9,714
64	Intesa Asset Management SGR S.p.A.	Milan	0.557	257,505
65	M.A.S. MPS Assets Securitisation S.p.A.	Rome	10.000	10,000
66	Mantegna Finance S.r.l.	Mantua	7.000	700
67	Markfactor S.p.A.	Brescia	10.000	331,406
68	MPS Venture SGR S.p.A.	Florence	100.000	7,500,000
69	MTS Mercato Titoli di Stato S.p.A.	Rome	5.000	1,413,575
70	Murgia Sviluppo S.p.A.	Altamura (BA)	5.000	5,165
71	Nuova Fin S.p.A.	Spoleto	19.434	212,780
72	Par.Fin S.p.A.	Bari	1.781	212,700
73	Patto di Foggia Scpa	Foggia	8.000	8,263
73 74	PRT Progetto Ricerche Terziario S.r.I.	Spoleto	0.353	46
75 75	S.F.I.R.S. S.p.A.	Cagliari	0.210	266,492
76	Santorini Investment Ltd Partnership	Edinburgh	49.000	328,689,576
77	Servizi Interbancari S.p.A.	Rome	6.079	1,232,138
7 <i>7</i> 78	Siena Mortagages 00-1 S.p.A.	Milan	7.000	7,000
78 79	Siena Mortagages 00-1 5.p.A. Siena Mortagages 01-2 S.p.A.	Milan	7.000	7,000
80	Siena Mortagages 02-3 S.r.l.	Conegliano (TV)	9.100	910
81	Simest S.p.A.	Rome	1.059	1,562,402
82	Sistema Interportuale Jonico Salentino S.p.A.	Lecce	9.343	46,481
83	SO.FIN.IND. S.p.A.	Naples	15.000	1,472,629
84	Soc. per lo Sviluppo del Basso Tavoliere Scrl	Foggia	13.333	2,066
85	Sofinco S.p.A.	Modena	7.051	2,200,000
86	Sviluppo Holding S.r.l.	Perugia	30.000	3,000
87	Sviluppumbria S.p.A.	Perugia	15.868	771,376
88	Tamleasing S.p.A. (in liquidation)	Milan	0.116	171,570
89	Tiziano Finance S.r.l.	Conegliano (TV)	10.000	10,000
90	Ulisse 3 S.p.A.	Milan	7.000	7,000
91	Ulisse 4 S.r.l.	Milan	7.000	140
92	Unione Fiduciaria S.p.A.	Milan	0.267	18,768
92	official fluuciana 3.p.A.	Milan	0.207	10,700
				635,828,597
	Other			
0.3		na'l	0.007	67.000
93	24 Ore Television S.p.A.	Milan	0.987	67,200
94	A.R.S. Ambiente Ricerca Sviluppo S.r.l.	Siena	49.000	5,133
95	A.S.I. Azienda Serv. Inform. S.p.A.	Mantua	8.163	98,127
96	A.S.I.A. S.p.A.	D	8.024	10,320
97	A.SE.P. Az. Serv. Pubblici S.p.A.	Porto M/o(MN)	5.369	52,975
98	ABE Clearing Company's Account	Paris	1.000	1,002
99	Abruzzo Sviluppo S.p.A.	Pescara	5.844	32,490
100	Aeroporto di Firenze S.p.A.	Florence	2.993	224,097
101	Aeroporto di Reggio Emilia S.r.I.	Reggio Emilia	0.354	9,414
102	Aeroporto G. Marconi S.p.A.	Bologna	0.136	3,099
103	Agenzia Ossuparione Area Nord Baresa Ofantina	Bra (CN)	0.387	77,400
104	Agenzia Occupazione Area Nord Barese Ofantina	Barletta	4.393	3,981
105	Agenzia Sviluppo Lazio S.p.A.	Rome	1.869	858,351
106	AGES S.p.A.	Pisa	1.557	1,239,497

	Company	Registered Office	% Held	Book Value
107	Agricola Poggio Bonelli S.r.l.	Castelnuovo Ber.ga (SI)	100.000	3,342,656
108	Agriform Scarl	Sommacampagna	11.899	777,065
109	Alexa S.p.A.	Florence	11.000	1,144,000
110	Ambiente e Territorio S.p.A.	Foggia	2.000	32,000
111	Assicurazioni Generali S.p.A.	Trieste	0.408	111,608,739
112	Auriga Immobiliare S.r.l.	Milan	15.000	4,787,788
113	Autocamionabile della Cisa S.p.A.	Noceto (PR)	0.008	1,522
114	Autostrada Torino Milano S.p.A.	Milan	1.407	3,353,758
115	B.I.C. Liguria S.p.A.	Genoa	1.000	41,317
116	B.I.C. Umbria S.p.A.	Terni	1.544	18,334
117	Bank Card Company	Brussels	0.029	1,772
118	Banksiel S.p.A.	Milan	2.085	467,402
119	Banksys S.A.	Brussels	0.087	5,063
120	Bassilichi S.p.A.	Florence	11.592	332,347
121	Bell S.à.r.l.	Luxembourg	7.872	8,099,719
122	Beta Prima S.r.I.	Siena	34.069	360,487
123	Bid. It. S.p.A.	Barletta	7.572	1
124	Bilanciai International S.p.A.	Campogalliano	3.753	516,000
125	Bilanciai Soc. Coop. r. l.	Campogalliano (MO)	8.815	516,457
126	Bios S.p.A.	Milan	12.936	54,754,840
127	C.I.R. Cooperativa Italiana Ristorazione Scrl	Reggio nell'Emilia	18.068	2,580,000
128	C.S.I. Centro Serv. Impr. S.r.I.	Porto Mo(MN)	6.843	121,731
129	C.S.P. BIC Livorno S.r.l.	Leghorn	2.079	6,526
130	Camporlecchio Educational S.r.l.	Rome	40.000	200,000
131	CDO.net S.p.A.	Milan	50.000	-
132	Ce.Di.Ti. Scarl (in liquidation)	Brindisi	15.000	27
133	Cedacrinord S.p.A.	Colecchio (PR)	7.690	154,069
134	Cefris S.C.p.A.	Gioia Tauro (RC)	0.500	516
135	Centrale dei Bilanci S.r.l.	Turin	8.460	3,965,852
136	Centrale GPA S.p.A.	Pesaro	17.734	14,568
137	Centro Affari e Convegni Arezzo	Arezzo	12.088	1,578,793
138	Centro Agro Alimentare Bologna S.c.p.A.	Bologna	0.953	296,769
139 140	Centro Agro-alimentare di Parma S.r.l.	Parma	6.669	183,585
141	Centro Agroalimentare Napoli S.c.p.A. Centro Ass.za Tecnica Confcomm.Pistoia Scarl	Naples Pistoia	4.892 7.919	839,038
142	Centro Cia S.r.l.	Florence	10.000	1,300 3,099
143	Centro Cia 3.1.1. Centro Prom.e Svil.Terr.ed Agenzia Loc.Form. S.r.l.	Senigallia (AN)	2.500	2,500
144	Centro Ricerche e Servizi S.r.l.	Mantua	10.000	3,600
145	Centro Sviluppo S.p.A.	S. Christoph (AO)	4.002	41,317
146	Centro Torri S.r.l.	Parma	1.826	77
147	Cepim - Centro Padano Interscambio Merci S.p.A.	Fontevivo (PR)	4.249	385,020
148	Cevalco S.p.A.	Venturina (Li)	0.822	17,269
149	Charme Investments Sca	Luxembourg	0.035	1,999
150	Cisfi S.p.A.	Naples	1.275	559,839
151	Cittadelvino.Com S.p.A.	Siena	16.086	116,250
152	CMST S.p.A.	Rome	45.000	22,500
153	Co.Ce.Me. S.r.l	Canicattì	7.147	-
154	Colle Promozione S.p.A.	Colle Val d'Elsa (SI)	12.000	30,987
155	Compagnia Invest. e Sviluppo C.I.S. S.p.A.	Villafranca di Verona	4.000	544,556
156	CONIT S.p.A.	Rome	10.000	10,000
157	Cons. per lo Sviluppo dell'Area Conca Barese Scrl	Molfetta (BA)	4.000	4,000
158	Consorzio Agrario Prov.le Siena	Siena	15.887	36,776
159	Consorzio Agrario Provinciale Scrl	Parma	14.684	8,200
160	Consorzio Aree Industriali Lamezia Terme	Lamezia Terme (CZ)	2.339	7,747
161	Consorzio Cassamercato	Milan	6.286	6,980
162	Consorzio Commercianti del Centro Comm.le Sidoli	Parma	4.000	106
163	Consorzio Etruria Scrl	Montelupo Fiorentino (		1,549,320
164	Consorzio Intesa Aretina	Arezzo	2.000	374,323
165	Consorzio Latterie Sociali Mantovane	Mantua	27.287	2,065,827
166	Consorzio Reg.Ricostruzione Ed.Prov.Occid.Emiliane	Parma	0.122	4
167	CRIF Centrale Rischi Finanziaria S.p.A.	Bologna	5.049	129,637
	ı	S		



171 Docutel Communication Services S.p.A. Siena 15.000 172 E.Biscom S.p.A. Milan 1.800 27,3	11,362 600,000 75,000 47,040 550,900
170       DC Holding S.p.A.       Milan       10.000       9         171       Docutel Communication Services S.p.A.       Siena       15.000         172       E.Biscom S.p.A.       Milan       1.800       27,7	75,000 75,000 47,040 50,900
171 Docutel Communication Services S.p.A. Siena 15.000 172 E.Biscom S.p.A. Milan 1.800 27,7	75,000 47,040 50,900
172 E.Biscom S.p.A. Milan 1.800 27,7	47,040 50,900
	50,900
	84,832
175 Elsacom N.V. Amsterdam 4.423	-
	54,937
177 Elsag Banklab Rome -	-
	50,214
179 Emprimer S.p.A. Milan 9.000	90,000
	78,183
	74,000
182 Ente Morale S.Lorenzo da Brindisi Brindisi 14.645	5,165
183 Etruria Innovazione S.c.p.A. Siena 5.556	13,188
185 Eurobic Toscana Sud S.p.A. Poggibonsi (SI) 10.831	84,084
186 Eurochianti S.c.r.l. Castelnuovo B.ga (Si) 5.521	1,975
	59,696
	58,657
189 EX.T.R.E.ME. S.r.l. Palermo 2.000	520
190 Exporter Insurance Co. Ltd Hamilton 0.085	90,102
191 Fidenza S.c.r.l. Fidenza (PR) 1.480	152
192 Fiera Millenaria di Gonzaga S.r.l. Gonzaga 6.000	9,240
	30,000
194 Fioroni Sistema S.p.A. Perugia 1.384	23,912
195 Firenze Expò & Congress Centro Fier. e Congr. S.p.A. Florence 4.522	18,768
	26,898
	55,552
	03,291
	96,000
200 Foire Int.le de Liege S.C. Lièges 0.001	33
201 Foligno Nuova S.p.A. Foligno 1.667	1,708
	03,291
203 G.A.L. Marsica Civitella Roveto 1.000	103
204 G.P.D. Global Project Developers S.p.A. Rome 15.837	51,646
205 Galileo Holding S.p.A. Venice 5.540	28,753
206 Grosseto Sviluppo S.p.A. Grosseto 15.620	80,451
208 Hi - Know S.p.A. Siena 85.000	-
	11,136
	34,115
211 I.S.B.E.M. Scpa Brindisi 13.401	93,000
212 I.T.S. Intesa S.p.A. Salerno 7.538	-
213 Idroenergia Scarl Aosta 0.267	1,548
214 Immobiliare Abbiatense Abbiategrasso 2.000	5,165
	09,520
	32,914
217 Impianti S.r.I. (in liquidation) Milan 13.817	6,721
218 Informatica Umbra S.r.I. Spoleto 8.333	2,582
	34,761
220 Interim 25 Italia S.r.l. Bari 0.397	10,329
	39,737
222 Interporto Campano S.p.A. Naples 0.094	25,823
	16,943
Ist. Encicl. Banca e Borsa S.p.A. Rome 3.499	24,637
225 Istifid Milan 0.397	4,125
	88,560
·	92,723
1	32,613
229 L' Ariosto S.c.r.l. Reggio Emilia 1.210	51
	30,772
231 Lucandocks S.p.A. Potenza 2.000	25,823

Lucchini S.p.A.   Milan   6,173   25,822,845		Company	Registered Office	% Held	Book Value
M.C.C Meliorconsoralo Consulting S.p.A.   Rome   5,000   39,834	232	Lucchini S n A	Milan	6 173	25 822 845
234 Macello Coop Law Carmi S.c.r.b.         Peggonaga (MN)         47.049         1849,315           235 Mantrova Expo S.cl.         Mantova Expo S.cl.         12.097         56.972           236 Martova Expo S.cl.         Mantuna         5.164         25.822           237 Mantova Interporto Sp.A.         Amatuna         5.164         25.822           238 MDF Sebes - Frati S.A.         Sebe         18.232         12.891,896           240 Medicalpiaza S.p.A.         Rome         64.594         -           241 Mercatori Mobiliare di Nord Est S.p.A.         Brescia         1.141         11.024           242 Mari S.O.A. S.p.A.         Regio Emilia         0.860         40.955           243 Minabello 2000 S.p.A.         Regio Emilia         0.860         40.955           244 Mori S.O.A. S.p.A.         Regio Emilia         0.860         40.955           245 Molisatinovazione Soc Consa xl.         Campobasso         4.866         24.004           246 Molisatinovazione Soc Consa xl.         Sena         97.000         965.000           248 Nomisma S.p.A.         Bologra         6.073         33.7263           249 Novocom S.p.A.         Milan         11.522         2.522,260           250 Parti S.p. A.         Bologra         6.073         34					
235         Manfrednoina Svilipupo S.c.p.a.         Foggia         12.097         56.972           236         Mantova Expo S.f.l.         Mantua         4.167         25.882           238         Matatooi Valle Umbras bud S.p.A.         Foligno         1.377         1.952           239         MDF Sebes - Frati S.A.         Sebe         18.232         12.891,986           40         Medicalplaza S.p.A.         Rome         64.594           241         Mercator Mobilizar di Nord Est S.p.A.         Napole         5.000         25.823           243         Mirabello 2000 S.p.A.         Reggio Emilia         0.860         40.955           244         Mode Mediterranea S.p.A.         Bari         12.376         7.500           245         Mod Mediterranea S.p.A.         Bari         12.376         7.500           246         MFP Frofesional S.p.A.         Siena         97.000         965.000           247         Napoli Orientale S.p.A.         Napole         9.804         51.646           248         Norwinsa S.p.A.         Willarraca         70.000         84.000           250         Oglo Po Terre D'Acqua S.c.r.l.         Calvatore (CR)         6.276         3.000           251         Pacche Local					
Mantoua Expo Sr.I.   Mantua   5.164   25.822					
237         Mantova Interporto S.p.A.         Mantua         4.167         26.038           238         Mattotio Valle Umbras Sud S.p.A.         Folgron         1.377         1.952           239         MDF Sebes - Frait S.A.         Sebe         18.232         12.981,966           240         Medicalplaza S.p.A.         Brescia         1.141         1.1024           241         Mercato Mobilizar di Nort Est S.p.A.         Brescia         1.141         1.1024           242         Meris S.O.A. S.p.A.         Napoles         5.000         25.823           243         Minde Mediterranea S.p.A.         Brescia         1.141         1.1024           244         Mode Mediterranea S.p.A.         Brescia         1.141         1.1024           245         Mode Mediterranea S.p.A.         Sien and S.p.A.         1.2376         7.500           246         MIPS Professional S.p.A.         Sien and S.p.A.         9.804         51.646           248         Nowins S.p.A.         Milan         11.582         2.982.360           240         Noworm S.p.A.         Milan         11.582         2.982.360           251         Pacchet End Localizativo Brindisi S.p.A.         Brid Gilar         6.276         3.000					
238         Mattatolo Valle (Imbra Sud S.p.A.)         Foligno         1.377         1.952           249         Medicalplaza S.p.A.         Rome         64,594         1.024           241         Mercato Mobiliare dil Nord Est S.p.A.         Brescia         1.141         1.024           242         Mira S.O.A. S.p.A.         Naples         5.000         25,823           243         Mirabello 2000 S.p.A.         Reggio Emilia         0.860         40,955           244         Moda Mediterranea S.p.A.         Bari         1.2376         7,500           245         Molise innovazione Soc. Cons. a. f.I.         Campobasso         4,866         24,304           246         Mris Professional S.p.A.         Siena         97,000         965,000           247         Napoli Orientale S.p.A.         Milian         11,582         58,263           248         Novosa Aida S.p.A.         Milian         11,582         58,263           240         Novosa S.p.A.         Milian         11,582         58,263           250         Oglio Po Terre D'Acqua S.c.r.l.         Calvatore (CR)         6,276         3,000           251         Parco Scientifico e Teenologico di Salemo S.p.A.         Brindisi         16,823         74,691 <td></td> <td></td> <td></td> <td></td> <td></td>					
MDF Sebes - Frati S.A.   Sebe   18.232   12.891.986					
240         Medicalplaza S.p.A.         Rome         64.594           41         Meris S.O.A. S.p.A.         Naples         5.000         25.823           242         Meris S.O.A. S.p.A.         Naples         5.000         25.823           243         Mirabello 2000 S.p.A.         Regio Emilia         0.860         4.985           244         Moda Mediterranea S.p.A.         Bari         1.2376         7.500           245         Molisienimovazione Soc.Cons. a.f.I.         Campobasso         4.866         24.300           246         Molisienimovazione Soc.Cons. a.f.I.         Siena         97.000         965.000           247         Napoli Drientale S.p.A.         Majes         9.800         51.646           248         Nomisma S.p.A.         Milan         11.182         2.582,236           Nuova Aida S.p.A.         Willafranca         70.000         84.000           250         Oglio Po Terre D'Acqua S.c.r.I.         Calvatore (RR)         6.276         3.000           251         Parco Scientifico e Teenologico di Salemo S.p.A.         Brindisi         16.823         74.691           252         Parco Scientifico e Teenologico di Salemo S.p.A.         Gloia Tauro (RC)         3.608         3.873           254<					
2424         Meris S.O.A. S.p.A.         Regio familia         0.860         40,955           243         Mirabello 2000 S.p.A.         Bari         12,376         7,500           244         Moda Mediterranea S.p.A.         Bari         12,376         7,500           246         MDS Professional S.p.A.         Siena         97,000         96,5000           247         Napoli Orientale S.p.A.         Naples         9,804         51,646           248         Nomisma S.p.A.         Milan         11,582         2,582,360           249         Novocom S.p.A.         Milan         11,582         2,582,360           240         Novocom S.p.A.         Milan         11,582         2,582,360           241         Pactor E.p.A.         Pactor E.p.A.         10,000         12,911           242         Pactor E.p.A.         Parto G.p.C.p.A.         11,9	240	Medicalplaza S.p.A.	Rome	64.594	-
243         Mirabello 2000 S.p.A.         Reggio Emilia         0.860         40,955           245         Moliseinnovazione Soc. Cons.a.r.l.         Campobasso         4.866         24,304           46         MP Professional S.p.A.         Siena         97,000         965,000           247         Maples         9.804         51,646           Momisma S.p.A.         Bologna         6.073         337,263           249         Novocom S.p.A.         Williar         11,582         2.582,360           Molos Alda S.p.A.         Williar         11,582         2.582,360           Vool Oglie Po Terre D'Acqua S.c.rl.         Calabatore (CR)         6.276         3.000           251         Pacchetto Localizzativo Brindisi S.p.A.         Brindisi         16.823         74.691           252         Paro Scientifico e Tencologico di Salerno S.p.A.         Salerno         1.000         12.911           253         Patto Errica Alexa Metropolitana Bari S.p.A.         Brindisi         16.695         207.798           254         Patto Derito Parka S.p.A.         Bari         0.300         1.650           257         Patto Errica Alexa Metropolitana Bari S.p.A.         Bari         0.300         1.650           258         Patto Terrica R		Mercato Mobiliare di Nord Est S.p.A.	Brescia	1.141	11,024
244         Moda Mediterranea S.p.A.         Barī         1,2,376         7,500           245         Moliseinnovazione Soc. Cons.a. r.l.         Campobasso         4,866         24,304           246         MPS Professional S.p.A.         Siena         97,000         96,5000           247         Napoli Orientale S.p.A.         Naples         9,804         51,646           248         Nomisma S.p.A.         Milan         11,582         2,282,360           49         Novocom S.p.A.         Milan         11,582         2,282,360           Nuova Aida S.p.A.         Willafranca         70,000         84,000           250         Oglio Po Terre D'Acqua S.c.I.         Calvatore (CR)         6,276         3,000           251         Pacchetto Localizzativo Brindisi S.p.A.         Brindisi         16,823         74,691           252         Parco Scientifico e Tecnologico di Salerno S.p.A.         Salerno         1,000         12,911           252         Parto Edel Paran S.p.A.         Brindisi         16,823         74,691           253         Parto Edel Paran S.p.A.         Bari         0,300         1,050           254         Patro Errichage C.p. S.p.         Bari         0,300         1,050           255 </td <td>242</td> <td>Meri S.O.A. S.p.A.</td> <td>Naples</td> <td>5.000</td> <td>25,823</td>	242	Meri S.O.A. S.p.A.	Naples	5.000	25,823
245         Mp Professional S.p.A.         Campobasso         4.866         24,304           46         MPs Professional S.p.A.         Siena         97.000         965.000           247         Napoli Orientale S.p.A.         Naples         9.804         51.646           248         Nomisma S.p.A.         Milan         11.582         2.582.360           249         Novocom S.p.A.         Milan         11.582         2.582.360           250         Qelio Po Terre D'Acqua S.c.r.I.         Calvatore (CR)         6.276         3.000           251         Pacchetto Localizzativo Brindisi S.p.A.         Brindisi         16.823         74.691           252         Paros Scientifico e Tecnologico di Salemo S.p.A.         Salemo         1.000         12.911           253         Pastis - C.N.R.S.M. Sepa         Brindisi         16.695         207.798           254         Patto Color Calvatiro della Preve (PC)         7.937         20.658           255         Patto della Plana S.p.A.         Giola Tauro (RC)         3.608         3.873           256         Patto Territoriale Polis S.r.I.         Monopoli         6.296         9.542           281         Patto Gelia Territoriale Sele Pricentino S.p.A.         2.130         7.700	243		Reggio Emilia		
246         MPS Professional S.p.A.         Siena         97.000         965.000           247         Napoli Orientale S.p.A.         Bologna         6.073         337.263           249         Novocom S.p.A.         Milan         11.582         2.582.360           Nuova Aida S.p.A.         Villafranca         70.000         84.000           250         Oglio Po Terre D'Acqua S.c.r.I.         Calvatore (CR)         6.276         3.000           251         Pacchetto Localizzativo Brindisi S.p.A.         Brindisi         16.823         74.091           252         Pastis - C.N.R.S.M. Scpa         Brindisi         16.695         207.798           253         Pastis - C.N.R.S.M. Scpa         Brindisi         16.695         207.798           254         Patto 2000 Scrl         Città della Piere (PC)         7.937         20.658           255         Patto Edla Piana S.p.A.         Bari         0.300         1.650           257         Patto Terrichale Polis S.r.I.         Monopoli         6.296         9.542           258         Patto Terrichale Polis S.r.I.         Monopoli         6.296         9.542           259         Polo Universitario Aretino S.c.a.r.I.         Arezzo         6.818         7.730		Moda Mediterranea S.p.A.		12.376	
Napels   Napels   9.804   51.646   Novocom S.p.A.   Naples   6.073   337.263   Novocom S.p.A.   Milan   11.582   2.582.360   Nuova Aida S.p.A.   Willan   11.582   2.582.360   Nuova Aida S.p.A.   Willan   11.582   3.582.360   Nuova Aida S.p.A.   Willan   11.582   3.582.360   Nuova Aida S.p.A.   Willan   70.000   84.000   250   Oglio Po Terre D'Acqua S.c.r.I.   Calvatore (CR)   6.276   3.000   251   Parchetto Localizzativo Brindisi S.p.A.   Brindisi   16.823   74.691   252   Parco Scientifico = Eccologico di Salemo S.p.A.   Salemo   1.000   12.911   253   Pastis - C.N.R.S.M. Scpa   Brindisi   16.695   207.798   254   Patto 2000 Scri   Città della Pieve (PC)   7.937   20.658   255   Patto della Piana S.p.A.   Gioia Tauro (RC)   3.608   3.873   256   Patto Territoriale Polis S.r.I.   Monopoli   6.296   9.542   257   Patto Territoriale Polis S.r.I.   Monopoli   6.296   9.542   258   Patto Territoriale Sele Picentino S.p.A.   2.130   7.700   259   Polo Universitario Aretino S.c.a.r.I.   Arezzo   6.818   7.730   260   Polo Universitario Grossetano   Crosseta   6.135   5.165   261   Porto Industriale di Livomo S.p.A.   Leghom   15.963   2.912.134   262   Porto Intermodale Ravenna Sapir S.p.A.   Ravenna   0.006   315   263   Profingest Scuola per dirigenti di impresa e banca   Bologna   0.461   2.848   264   Promar S.r.I.   Naples   5.000   1.291   265   Promo Piana S. cons. a r.I.   Campi Bisenzio (FI)   4.918   7.75   266   Promo Piana S. cons. a r.I.   Campi Bisenzio (FI)   4.918   7.75   267   Promozione Svil. Latina S.p.A.   Reggio Calabria   0.909   5.138   268   Reggio Sviluppo Val di Cecina S.r.I.   Cecina (LI)   17.905   18.185   279   S.J.E. S.p.A.   Reggio Sviluppo S.p.A.   Reggio Calabria   0.909   5.138   271   S. F. Studio Progetti e Servizi Finanziari S.r.I.   10.000   9.296   272   S.A.G.L. S.p.A.   Reggio Calabria   0.909   5.138   273   S.A.S.E. S.p.A.   Reggio Calabria   0.909   3.138   274   S.E.S. S.p.A.   Reggio Calabria   0.909   3.138   275   S.J.R. S.p.A.   Reggio Servizi Finanziari S.r.I.			•		
248         Nomisma S.p.A.         Bologna         6.073         337,263           499         Novocom S.p.A.         Milan         11.582         2.582,260           Nuova Aida S.p.A.         Willafranca         70.000         84.000           251         Pacchetto Iocalizzativo Brindisi S.p.A.         Brindisi         16.23         74.991           252         Parto Scientifico e Tecnologico di Salerno S.p.A.         Salerno         1.000         12.911           253         Pastis - C.N.R.S.M. S.pa         Brindisi         16.695         207.798           254         Patto 2000 Scrl         Città della Piena S.p.A.         Salerno         1.000         1.2911           255         Patto della Piana S.p.A.         Bari         0.300         1.650           256         Patto Territoriale Polis S.r.l.         Monopoli         6.296         9.542           257         Patto Territoriale Sele Picentino S.p.A.         2.130         7.700           268         Potto Interndale di Livorno S.p.A.         2.130         7.700           270         Potto Interndale di Livorno S.p.A.         Leghom         1.563         2.5165           281         Potto Interndale Sele Picentino S.p.A.         Ravenna         0.006         315 <tr< td=""><td></td><td></td><td></td><td></td><td></td></tr<>					
Nuoxom S.p.A.   Milan   11.582   2.582.360		·	·		
Nuova Aida's p.A.   Villafranca   70.000   84.000					
250         Oglio Po Terre D'Acqua S.c.rl.         Calvatore (CR)         6.276         3.000           251         Pacchetto Localizzativo Brindisi S.p.A.         Brindisi         16.823         74.691           252         Parco Scientifico e Tecnologico di Salemo S.p.A.         Salemo         1.000         12.911           253         Pastis - C. N.R.S.M. Scpa         Brindisi         16.695         207.798           254         Patto 2000 Scr         Città della Pieve (PC)         7.937         20.658           255         Patto della Piana S.p.A.         Gioia Tauro (RC)         3.608         3.873           256         Patto Territoriale Polis S.r.l.         Monopoli         6.296         9.542           258         Patto Territoriale Polis S.r.l.         Monopoli         6.296         9.542           258         Patto Territoriale Polis S.r.l.         Arezzo         6.818         7.730           259         Polo Universitario Aretino S.c.a.rl.         Arezzo         6.818         7.730           260         Porto Intermodale Ravenna Sapir S.p.A.         Leghom         15.963         2.912.134           261         Porto Intermodale Ravenna Sapir S.p.A.         Bari         4.321         30.435           262         Promem S.p.A.         <	249				
Parchetto Localizzativo Brindisi S.p.A.   Brindisi   16.823   74.691	250	· ·			
Part   Part					
253         Pattis - C.N.R.S.M. Scpa         Brindisi         16.695         207.798           254         Patto 2000 Scrl         Città della Pieve (PG)         7.937         20.658           255         Patto Ierr.le Area Metropolitana Bari S.p.A.         Bari         0.300         1.650           257         Patto Territoriale Polis S.r.I.         Monopoli         6.296         9.542           258         Patto Ierritoriale Polis S.r.I.         Arezzo         6.818         7.730           259         Polo Universitario Aretino S.c.a.r.I.         Arezzo         6.818         7.730           260         Polo Universitario Grossetano         Grosseto         6.135         5.165           261         Porto Industriale di Livorno S.p.A.         Leghorn         15.963         2.912.134           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2.848           264         Promer S.p.A.         Bari         4.321         30.435           265         Promer S.p.A.         Bari         4.321         30.435           266         Promor Piana S. con.a a r.l.         Campi Bisenzio (Fl)					
254         Patto 2000 Scrl         Città della Pieve (PC)         7.937         20,658           555         Patto della Piana S.p.A.         Gioia Tauro (RC)         3.608         3.873           256         Patto Territoriale Polis S.r.I.         Monopoli         6.296         9,542           257         Patto Territoriale Polis S.r.I.         Monopoli         6.296         9,542           258         Patto Territoriale Sele Picentino S.p.A.         2.130         7,700           259         Polo Universitario Aretino S.c.a.r.I.         Arezzo         6.818         7,730           600         Polo Universitario Crossettano         Grossetto         6.135         5.165           261         Porto Intermodale Ravenna Sapir S.p.A.         Leghorn         15.963         2.912,134           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.066         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2.848           264         Promart S.r.I.         Naples         5.000         1.291           265         Promem S.p.A         Bari         4.321         30,435           266         Promozino Svilluppo S.p.A.         Campi Bisenzio (FI)         4.918					
255         Patto della Piana S.p.A.         Gioia Tauro (RC)         3.608         3.873           256         Patto Terr.le Area Metropolitana Bari S.p.A.         Bari         0.300         1.650           577         Patto Territoriale Polis S.r.I.         Monopoli         6.296         9.542           258         Patto Territoriale Sele Picentino S.p.A.         2.130         7.700           259         Polo Universitario Aretino S.c.a.r.I.         Arezzo         6.818         7.730           260         Porto Industriale di Livorno S.p.A.         Leghorm         15.963         2.912,134           261         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2.848           264         Promer S.p.A.         Bari         4.321         30.435           265         Promo Piana S. cons. a r.l.         Campi Bisenzio (FI)         4.918         7.75           265         Promor Piana S. cons. a r.l.         Campi Bisenzio (FI)         4.918         7.75           267         Promozione Sviluppo Val di Gecina S.rl.					
256         Patto Territoriale Polis S.r.I.         Bari         0.300         1.650           257         Patto Territoriale Polis S.r.I.         Monopoli         6.296         9,542           258         Patto Territoriale Sele Picentino S.p.A.         2.130         7,700           259         Polo Universitario Aretino S.c.a.r.I.         Arezzo         6.818         7,730           600         Polo Universitario Grossetano         Grossetto         6.135         5.165           261         Porto Industriale di Livorno S.p.A.         Leghom         15.963         2,912,134           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2,848           264         Promart S.r.I.         Naples         5.000         1,291           265         Promorione Sun.A.         Campi Bisenzio (Fl)         4.918         7.75           267         Promozione Svil. Latina S.p.A.         Latina         1.081         1,073           268         Promozione Svil. Latina S.p.A.         Reggio Sviluppo S.p.A.         Reggio Calabria         0,909         5,138           270         Residence La Pinetina S.r.I.					
257         Patto Territoriale Polis S.r.l.         Monopoli         6.296         9,542           258         Patto Territoriale Sele Picentino S.p.A.         2.130         7,700           259         Polo Universitario Arcetino S.c.a.r.l.         Arezzo         6.818         7,730           260         Polo Universitario Grossetano         Grosseto         6.135         5,165           61         Porto industriale di Livomo S.p.A.         Leghom         15,963         2,912,134           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0,006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0,61         2,848           264         Promer S.p.A.         Bari         4,321         30,435           265         Promer S.p.A.         Campi Bisenzio (FI)         4,918         7,75           266         Promozione Svil. Latina S.p.A.         Latina         1,081         1,073           268         Promozione Svil. Latina S.p.A.         Reggio Calabria         0,909         5,138           269         Reggio Sviluppo Val di Cecina S.r.l.         Cecina (LI)         17,905         18,185           270         Residence La Pinetina S.r.l.         Rogeio Sviluppo Val di Cecin			* *		
258         Patto Territoriale Sele Picentino S.p.A.         2.130         7,700           259         Polo Universitario Aretino S.c.a.rl.         Arezzo         6.818         7,730           600         Polo Universitario Grossetano         Grosseto         6.135         5,165           261         Porto Industriale di Livorno S.p.A.         Leghom         15,963         2,912,134           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2,848           264         Promart S.r.l.         Naples         5,000         1,291           265         Promer S.p.A.         Bari         4,321         30,435           266         Promo Piana S. cons. a r.l.         Campi Bisenzio (Fl)         4,918         775           267         Promozione Svillupo Val di Cecina S.rl.         Cecina (Ll)         17,905         18,185           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0,909         5,138           270         Residence La Pinetina S.rl.         Rome         34,667         5,681           271         S.P F S Studio Progetti e Servizi Finanziari S.rl.         10,000					
259         Polo Universitario Aretino S.c.a.r.l.         Arezzo         6.818         7,730           260         Polo Universitario Grossetano         Grosseto         6.135         5,165           261         Porto Industriale di Livorno S.p.A.         Leghom         15,963         2,912,134           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2,848           264         Promer S.p.A.         Bari         4,321         30,435           265         Prome Piana S. cons. a r.l.         Campi Bisenzio (FI)         4,918         7,75           266         Promozione Svil. Latina S.p.A.         Latina         1,081         1,073           268         Promozione Sviluppo Val di Cecina S.r.l.         Cecina (LI)         17,905         18,185           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0,909         5,138           270         Residence La Pinetina S.r.l.         Rome         34,667         5,681           271         S.P. F. Studio Progetti e Servizi Finanziari S.r.l.         10,000         9,296           272         S.A. Cal. S.p.A.         Perugia         <					7,512
260         Polo Universitario Grossetano         Grosseto         6.135         5,165           261         Porto Industriale di Livomo S.p.A.         Leghorn         15,963         2,912,134           262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2,848           264         Promart S.rl.         Naples         5,000         1,291           265         Promen S.p.A.         Bari         4,321         30,435           266         Promo Piana S. cons. a r.l.         Campi Bisenzio (FI)         4,918         775           267         Promozione Svil. Latina S.p.A.         Latina         1,081         1,073           268         Promozione Svilluppo Val di Cecina S.r.l.         Cecina (IL)         17,905         18,185           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0,909         5,138           270         Residence La Pinetina S.r.l.         Rome         34.667         5,681           271         S.P F S Studio Progetti e Servizi Finanziari S.r.l.         10,000         9,296           272         S.A.S.E. S.p.A.         Perugia         1,860 <td< td=""><td></td><td>· · · · · · · · · · · · · · · · · · ·</td><td></td><td></td><td>7 730</td></td<>		· · · · · · · · · · · · · · · · · · ·			7 730
261         Porto industriale di Livorno S.p.A.         Leghorn         15,963         2,912,134           262         Porto intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2,848           264         Promart S.r.l.         Naples         5.000         1,291           265         Promo Piana S. cons. a r.l.         Campi Bisenzio (Fl)         4.918         775           266         Promozione Svil. Latina S.p.A.         Latina         1.081         1,073           268         Promozione Svil. Latina S.p.A.         Latina         1.081         1,073           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0.909         5,138           270         Residence La Pinetina S.r.l.         Rome         34,667         5,681           271         S P F Studio Progetti e Servizi Finanziari S.r.l.         10,000         9,296           272         S.A. Cal. S.p.A.         Perugia         1,860         9,606           273         S.A. S.E. S.p.A.         Perugia         1,860         9,606           274         S.E. S. D.A.         Milan         1,585         500,715					
262         Porto Intermodale Ravenna Sapir S.p.A.         Ravenna         0.006         315           263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2.848           264         Promart S.r.I.         Naples         5.000         1.291           265         Prome S.p.A.         Bari         4.321         30.435           266         Promo Piana S. cons. a r.l.         Campi Bisenzio (FI)         4.918         775           267         Promozione Svil. Latina S.p.A.         Latina         1.081         1.073           268         Promozione Sviluppo Val di Cecina S.r.I.         Cecina (LI)         17.905         18.185           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0.909         5.138           270         Residence La Pinetina S.r.I.         Rome         34.667         5.681           271         S P F Studio Progetti e Servizi Finanziari S.r.I.         10.000         9.296           272         S.A. Cal. S.p.A.         Reggio Calabria         0.909         5.138           273         S.A. Cal. S.p.A.         Reggio Labria         1.000         34.086           273         S.A. Cal. S.p.A.         Perugia         1.860         9.606					
263         Profingest Scuola per dirigenti di impresa e banca         Bologna         0.461         2,848           264         Promart S.r.l.         Naples         5,000         1,291           265         Prome Piana S. cons. a r.l.         Campi Bisenzio (FI)         4,918         775           266         Promo Piana S. cons. a r.l.         Campi Bisenzio (FI)         4,918         775           267         Promozione Svillupto S.p.A.         Latina         1,081         1,073           268         Promozione Svilluppo S.p.A.         Reggio Calabria         0,909         5,138           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0,909         5,138           270         Residence La Pinetina S.r.l.         Rome         34,667         5,681           271         S P F Studio Progetti e Servizi Finanziari S.r.l.         10.000         9,296           272         S.A. Cal. S.p.A.         Lamezia T.         0,600         34,086           273         S.A.S.E. S.p.A.         Perugia         1,860         9,606           274         S.E.A.M. Soc. Es. Aeroporto Mar. S.p.A.         Grosseto         1,930         59,890           275         S.I.A. S.p.A.         Milan         1,585         500,715			_		
264         Promart S.r.I.         Naples         5.000         1.291           265         Promen S.p.A.         Bari         4.321         30.435           266         Promo Piana S. cons. a r.I.         Campi Bisenzio (FI)         4.918         775           267         Promozione Svil. Latina S.p.A.         Latina         1.081         1.073           268         Promozione Svilluppo S.p.A.         Reggio Calabria         0.909         5.138           269         Regidence La Pinetina S.r.I.         Rome         34.667         5.681           271         S P F Studio Progetti e Servizi Finanziari S.r.I.         10.000         9.296           271         S P F Studio Progetti e Servizi Finanziari S.r.I.         10.000         9.296           272         S.A. Cal. S.p.A.         Lamezia T.         0.600         34.086           273         S.A.S.E. S.p.A.         Perugia         1.860         9.606           274         S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.         Grosseto         1.930         59.890           275         S.I.A. S.p.A.         Parma         4.204         88.897           276         S.I.F. Società Investimenti Fieristici S.p.A.         Rome         20.000         20.6800           278	263		Bologna	0.461	2,848
266         Promo Piana S. cons. a r.l.         Campi Bisenzio (FI)         4.918         775           267         Promozione Svil. Latina S.p.A.         Latina         1.081         1.073           268         Promozione Sviluppo Val di Cecina S.r.l.         Cecina (LI)         17.905         18.185           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0.909         5.138           270         Residence La Pinetina S.r.l.         Rome         34.667         5.681           271         S P F Studio Progetti e Servizi Finanziari S.r.l.         10.000         9.296           272         S.A. Cal. S.p.A.         Lamezia T.         0.600         34.086           273         S.A.S.E. S.p.A.         Perugia         1.860         9.606           274         S.E.A.M. Soc.Es. Aeroporto Mar. S.p.A.         Grosseto         1.930         59,890           275         S.I.A. S.p.A.         Milan         1.585         500,715           276         S.I.F. Società Investimenti Fieristici S.p.A.         Parma         4.204         88,897           277         S.I.T. S.p.A.         Rome         20.000         206,800           278         S.S.B. S.p.A.         Reggio nell'Emilia         15.000         1,417,672	264	Promart S.r.I.	Naples	5.000	1,291
267         Promozione Svil. Latina S.p.A.         Latina         1.081         1,073           268         Promozione Sviluppo Val di Cecina S.r.I.         Cecina (LI)         17.905         18.185           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0.909         5.138           270         Residence La Pinetina S.r.I.         Rome         34.667         5.681           271         S P F Studio Progetti e Servizi Finanziari S.r.I.         10.000         9.296           272         S.A.Cal. S.p.A.         Lamezia T.         0.600         34.086           273         S.A.S.E. S.p.A.         Perugia         1.860         9.606           274         S.E.A.M. Soc.Es. Aeroporto Mar. S.p.A.         Grosseto         1.930         59.890           275         S.I.A. S.p.A.         Milan         1.585         500,715           276         S.I.F. Società Investimenti Fieristici S.p.A.         Parma         4.204         88.897           277         S.I.A. S.p.A.         Rome         20.000         206.800           278         S.S.B. S.p.A.         Reggio nell'Emilia         15.000         1.417,672           280         S.T.B. S.p.A.         Prato         15.000         2.035,247           2	265	Promem S.p.A.	Bari	4.321	30,435
268         Promozione Sviluppo Val di Cecina S.r.l.         Cecina (LI)         17.905         18,185           269         Reggio Sviluppo S.p.A.         Reggio Calabria         0.909         5,138           270         Residence La Pinetina S.r.l.         80.909         5,138           271         S P F Studio Progetti e Servizi Finanziari S.r.l.         10.000         9,296           272         S.A.Cal. S.p.A.         Lamezia T.         0.600         34,086           273         S.A.S.E. S.p.A.         Perugia         1.860         9,606           274         S.E.A.M. Soc. Es. Aeroporto Mar. S.p.A.         Grosseto         1.930         59,890           275         S.I.A. S.p.A.         Milan         1.585         500,715           276         S.I.F. Società Investimenti Fieristici S.p.A.         Parma         4.204         88,897           277         S.I.T. S.p.A.         Rome         20.000         206,800           278         S.S.B. S.p.A.         Rome         20.000         206,800           279         S.T.A. S.p.A.         Reggio nell'Emilia         15.000         1,417,672           280         S.T.B. S.p.A.         Prato         15.000         2,035,247           281         Santa Lucia S.p.A	266	Promo Piana S. cons. a r.l.	Campi Bisenzio (FI)	4.918	775
269         Reggio Sviluppo S.p.A.         Reggio Calabria         0.909         5,138           270         Residence La Pinetina S.r.I.         Rome         34.667         5,681           271         S P F Studio Progetti e Servizi Finanziari S.r.I.         10.000         9,296           272         S.A. Cal. S.p.A.         Lamezia T.         0,600         34,086           273         S.A. S.E. S.p.A.         Perugia         1.860         9,606           274         S.E.A. M. Soc. Es. Aeroporto Mar. S.p.A.         Grosseto         1.930         59,890           275         S.I.A. S.p.A.         Milan         1.585         500,715           276         S.I.F. Società Investimenti Fieristici S.p.A.         Parma         4.204         88,897           277         S.I.T. S.p.A.         Rome         20.000         206,800           278         S.S.B. S.p.A.         Rome         20.000         206,800           278         S.T.A. S.p.A.         Reggio nell'Emilia         15.000         1,417,672           280         S.T.B. S.p.A.         Prato         15.000         1,417,672           281         Santa Lucia S.p.A.         Siena         15.000         5,000           282         Saped Servizi S.p.A.<			Latina	1.081	
270       Residence La Pinetina S.r.l.       Rome       34.667       5.681         271       S P F Studio Progetti e Servizi Finanziari S.r.l.       10.000       9,296         272       S.A.Cal. S.p.A.       Lamezia T.       0.600       34,086         273       S.A.S.E. S.p.A.       Perugia       1.860       9,606         274       S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.       Grosseto       1.930       59,890         275       S.I.A. S.p.A.       Milan       1.585       500,715         276       S.I.S. Società Investimenti Fieristici S.p.A.       Parma       4,204       88,897         277       S.I.T. S.p.A.       Rome       20,000       206,800         278       S.S.B. S.p.A.       Milan       7,693       342,864         279       S.I.A. S.p.A.       Reggio nell'Emilia       15,000       1,417,672         280       S.T.B. S.p.A.       Prato       15,000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5,000       5,000         282       Saped Servizi S.p.A.       Siena       15,000       13,158         283       Serin Serv. Ind. S.p.A.       Siena       15,000       1         284       Semoc S.r				17.905	18,185
271       S P F Studio Progetti e Servizi Finanziari S.r.l.       10.000       9,296         272       S.A.Cal. S.p.A.       Lamezia T.       0.600       34,086         273       S.A.S.E. S.p.A.       Perugia       1.860       9,606         274       S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.       Grosseto       1.930       59,890         275       S.I.A. S.p.A.       Milan       1.585       500,715         276       S.I.F. Società Investimenti Fieristici S.p.A.       Parma       4.204       88,897         277       S.I.T. S.p.A.       Rome       20,000       206,800         278       S.S.B. S.p.A.       Milan       7.693       342,864         279       S.T.A. S.p.A.       Reggio nell'Emilia       15,000       1,417,672         280       S.T.B. S.p.A.       Prato       15,000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5,000       5,000         282       Saped Servizi S.p.A.       Siena       15,000       13,158         283       Serin Serv. Ind. S.p.A.       Siesa (PR)       50,000       -         284       Sernoc S.r.l.       Rome       0,100       1         285       SIAS S.p.A.       <					
272       S.A.Cal. S.p.A.       Lamezia T.       0.600       34,086         273       S.A.S.E. S.p.A.       Perugia       1.860       9,606         274       S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.       Grosseto       1.930       59,890         275       S.I.A. S.p.A.       Milan       1.585       500,715         276       S.I.F. Società Investimenti Fieristici S.p.A.       Parma       4.204       88,897         277       S.I.T. S.p.A.       Rome       20,000       206,800         278       S.S.B. S.p.A.       Milan       7.693       342,864         279       S.T.A. S.p.A.       Reggio nell'Emilia       15,000       1,417,672         280       S.T.B. S.p.A.       Prato       15,000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5,000       5,000         282       Saped Servizi S.p.A.       Siena       15,000       13,158         283       Serin Serv. Ind. S.p.A.       Siesa (PR)       50,000       -         284       Sernoc S.r.I.       Rome       0,100       1         285       SIAS S.p.A.       Turin       1,407       2,000,377         286       Siena Parcheggi S.p.A.					5,681
273       S.A.S.E. S.p.A.       Perugia       1.860       9,606         274       S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.       Grosseto       1.930       59,890         275       S.I.A. S.p.A.       Milan       1.585       500,715         276       S.I.F. Società Investimenti Fieristici S.p.A.       Parma       4.204       88,897         277       S.I.T. S.p.A.       Rome       20.000       206,800         278       S.S.B. S.p.A.       Milan       7.693       342,864         279       S.T.A. S.p.A.       Reggio nell'Emilia       15.000       1,417,672         280       S.T.B. S.p.A.       Prato       15.000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5.000       2,035,247         281       Santa Lucia S.p.A.       Siena       15.000       13,158         283       Serin Serv. Ind. S.p.A.       Siena       15.000       13,158         284       Sernoc S.r.I.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rom		9			
274       S.E.A.M. Soc.Es.Aeroporto Mar. S.p.A.       Grosseto       1.930       59,890         275       S.I.A. S.p.A.       Milan       1.585       500,715         276       S.I.F. Società Investimenti Fieristici S.p.A.       Parma       4.204       88,897         277       S.I.T. S.p.A.       Rome       20,000       206,800         278       S.S.B. S.p.A.       Milan       7.693       342,864         279       S.T.A. S.p.A.       Reggio nell'Emilia       15.000       1,417,672         280       S.T.B. S.p.A.       Prato       15.000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5.000       5,000         282       Saped Servizi S.p.A.       Siena       15.000       13,158         283       Serin Serv. Ind. S.p.A.       Siesa (PR)       50.000       -         284       Sernoc S.r.I.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome </td <td></td> <td></td> <td></td> <td></td> <td></td>					
275       S.I.A. S.p.A.       Milan       1.585       500,715         276       S.I.F. Società Investimenti Fieristici S.p.A.       Parma       4.204       88,897         277       S.I.T. S.p.A.       Rome       20.000       206,800         278       S.S.B. S.p.A.       Milan       7.693       342,864         279       S.T.A. S.p.A.       Reggio nell'Emilia       15.000       1,417,672         280       S.T.B. S.p.A.       Prato       15.000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5.000       5,000         282       Saped Servizi S.p.A.       Siena       15.000       13,158         283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50.000       -         284       Sernoc S.r.l.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.			_ ~ .		
276       S.I.F. Società Investimenti Fieristici S.p.A.       Parma       4.204       88,897         277       S.I.T. S.p.A.       Rome       20,000       206,800         278       S.S.B. S.p.A.       Milan       7,693       342,864         279       S.T.A. S.p.A.       Reggio nell'Emilia       15,000       1,417,672         280       S.T.B. S.p.A.       Prato       15,000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5,000       5,000         282       Saped Servizi S.p.A.       Siena       15,000       13,158         283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50,000       -         284       Sernoc S.r.l.       Rome       0,100       1         285       SIAS S.p.A.       Turin       1,407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16,667       772,710         287       Siteba S.p.A.       Rome       3,669       94,739         288       Skillpass S.p.A.       Rome       12,500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5,634       177,683         290       SO.GE.S.I. S.p.A. (in					
277S.I.T. S.p.A.Rome20,000206,800278S.S.B. S.p.A.Milan7.693342,864279S.T.A. S.p.A.Reggio nell'Emilia15,0001,417,672280S.T.B. S.p.A.Prato15,0002,035,247281Santa Lucia S.p.A.San Gimignano (SI)5,0005,000282Saped Servizi S.p.A.Siena15,00013,158283Serin Serv. Ind. S.p.A.Sissa (PR)50,000-284Sernoc S.r.I.Rome0,1001285SIAS S.p.A.Turin1,4072,000,377286Siena Parcheggi S.p.A.Siena16,667772,710287Siteba S.p.A.Rome3,66994,739288Skillpass S.p.A.Rome12,5001,291,143289SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.Parma5,634177,683290SO.GE.SI. S.p.A. (in liquidation)Palermo10,00085,279		·			
278       S.S.B. S.p.A.       Milan       7.693       342,864         279       S.T.A. S.p.A.       Reggio nell'Emilia       15.000       1,417,672         280       S.T.B. S.p.A.       Prato       15.000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5.000       5,000         282       Saped Servizi S.p.A.       Siena       15.000       13,158         283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50.000       -         284       Sernoc S.r.l.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
279       S.T.A. S.p.A.       Reggio nell'Emilia       15.000       1,417,672         280       S.T.B. S.p.A.       Prato       15.000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5.000       5,000         282       Saped Servizi S.p.A.       Siena       15.000       13,158         283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50.000       -         284       Sernoc S.r.l.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
280       S.T.B. S.p.A.       Prato       15.000       2,035,247         281       Santa Lucia S.p.A.       San Gimignano (SI)       5.000       5,000         282       Saped Servizi S.p.A.       Siena       15.000       13,158         283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50.000       -         284       Sernoc S.r.I.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
281       Santa Lucia S.p.A.       San Gimignano (SI)       5.000       5,000         282       Saped Servizi S.p.A.       Siena       15.000       13.158         283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50.000       -         284       Sernoc S.r.I.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
282       Saped Servizi S.p.A.       Siena       15.000       13,158         283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50.000       -         284       Sernoc S.r.I.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
283       Serin Serv. Ind. S.p.A.       Sissa (PR)       50.000       -         284       Sernoc S.r.I.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279			· ,		
284       Sernoc S.r.l.       Rome       0.100       1         285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					-
285       SIAS S.p.A.       Turin       1.407       2,000,377         286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					1
286       Siena Parcheggi S.p.A.       Siena       16.667       772,710         287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					· · · · · · · · · · · · · · · · · · ·
287       Siteba S.p.A.       Rome       3.669       94,739         288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
288       Skillpass S.p.A.       Rome       12.500       1,291,143         289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
289       SO.GE.A.P Aeroporto Parma - Soc. gestione S.p.A.       Parma       5.634       177,683         290       SO.GE.SI. S.p.A. (in liquidation)       Palermo       10.000       85,279					
SO.PR.I.P. Soc. Prov. Insediamenti Produttivi S.p.A. Parma 2.536 9,529					
	291	SO.PR.I.P. Soc. Prov. Insediamenti Produttivi S.p.A.	Parma	2.536	9,529



292	SO.V.IM. Organismo di Attestazione S.p.A.	Florence	12.048	77,469
293	Soc. Aeroporto Toscano	Pisa	4.948	327,958
294	Soc. Gest. Patto Terr. Agro Nocerino Sarnese	Nocera Inferiore	2.652	29,940
295	Soc. Prom. Area Sud Basilicata S.p.A.	Latronico (PZ)	0.150	1,585
296	Società Cons. Matese per l'Occupazione	Campobasso	1.001	5,165
297	Società Italiana di Monitoraggio S.p.A.	Rome	33.333	386,138
298	Società per lo Sviluppo del Materano S.p.A.	Matera	1.190	1,549
299	Sodim S.r.I. (in liquidation)	Lecce	100.000	1
300	Sofiser S.r.l.	Reggio Emilia	2.030	97,249
301	Soggetto Interm Locale Appennino Centrale S.c.ar.l	Sansepolcro (Ar)	1.790	5,813
302	ST.I.MET. S.p.A.	Chiusi d. Verna (AR)	6.000	278,674
303	Start S.p.A.	Borgo S.Lorenzo (FI)	3.189	638
304	Sviluppo Sele - Tanagro S.p.A.	Oliveto Citra (SA)	10.000	44,662
305	Swift	Brussels	0.192	33,479
306	Taranto Sviluppo Scpa	Taranto	15.000	63,031
307	Tecnopolis Csata Novus Ortus Scrl	Valenzano (BA)	4.924	103,292
309	Trasporti Ferroviari Casentino S.r.l.	3.090	2,472	
310	Unibon Salumi Scrl	Modena	1.736	1,032,914
311	Unicarni S.c.r.l.	Reggio Emilia	7.245	774,685
312	Unisalute S.p.A.	Bologna	6.071	1,757,644
313	Valdarno Sviluppo S.p.A.	Cavriglia	12.574	89,621
				612,015,303
	Total			1,686,887,407

### 3.2 ASSETS AND LIABILITIES WITH RESPECT TO GROUP COMPANIES

Assets and liabilities with respect to Group companies were of an immaterial amount as of the date of the financial statements and referred to holdings in insurance companies valued under the net equity method.

# 3.3 ASSETS AND LIABILITIES TO COMPANIES IN WHICH INVESTMENTS ARE HELD (OTHER THAN GROUP COMPANIES)

	31.12.2002	31.12.2001
A. Assets:	1,237,599	1,268,858
1. Due from banks	71,792	341,203
including: subordinated amounts	-	-
2. Due from financial institutions	478,869	370,082
including: subordinated amounts	206,797	131,591
3. Due from other customers	605,072	504,828
including: subordinated amounts		
4. Bonds and other debt securities	81,866	52,745
including: subordinated amounts	21,174	36,415
B. Liabilities	705,305	783,375
1. Due to banks	50,155	76,952
2. Due to financial institutions	205,383	105,826
3. Due to other customers	383,878	548,502
4. Liabilities backed by securities	372	578
5. Subordinated liabilities	65,517	51,517
C. Guarantees and commitments	1,111,635	97,039
<ol> <li>guarantees released</li> </ol>	186,451	62,700
2. commitments	925,184	34,339

#### COMPOSITION OF ACCOUNT 70 - EQUITY INVESTMENTS

The breakdown of other equity investments by industry is provided in the table below:

	31.12.2002	31.12.2001
a) In banks	322,205	1,815,285
1. listed	245,601	1,750,957
2. unlisted	76,604	64,328
b) In financial institutions	646,200	252,902
1. listed	11,808	12,532
2. unlisted	634,392	240,370
c) Other	635,526	288,961
1. listed	153,678	14,270
2. unlisted	481,848	274,691
Total	1,603,931	2,357,148

#### COMPOSITION OF ACCOUNT 80 - EQUITY INVESTMENTS IN GROUP COMPANIES

Investments in Group companies by business sector are as follows:

	31.12.2002	31.12.2001
a) In banks	136,962	225,139
1. listed	-	-
2. unlisted	136,962	225,139
b) In financial institutions	7,500	7,647
1. listed	-	-
2. unlisted	7,500	7,647
c) Other	440,311	329,019
1. listed	-	-
2. unlisted	440,311	329,019
Total	584,773	561,805

#### 3.6 ANNUAL CHANGES IN EQUITY INVESTMENTS

Annual changes in equity investments are summarized in the following two tables:

3.6.1 Equity investments in Group companies

	31.12.2002			31.12.2001
	Valued with Net Equity Method	Other	Valued with Net Equity Method	Other
A. Opening balance	327,410	234,395(*)	154,313	5,050
B. Increases:	112,541	760	313,024	231,294
<ul><li>B.1 Purchases</li><li>B.2 Recoveries</li><li>B.3 Revaluations</li><li>B.4 Other changes</li></ul>	50,533 - - 62,008	760 - - -	241,081 - - 71,943	9,254 - - 222,040
C. Decreases:	689	89,644	139,927	1,949
C.1 Sales C.2 Valuation adjust including: permaner C.3 Other changes		57,392 - - 32,252	- - - 139,927	1,200 - - 749
D. Closing balance	439,262	145,511	327,410	234,395

Purchases mainly refer to the subscription to the share capital increase of the wholly owned subsidiary, Monte Paschi Vita (EUR 45,000,000) while the sales cover the transfer of ownership of an investment in Cassa di Risparmio di San Miniato; the latter transaction gave rise to a capital gain of EUR 18,641,000, inclusive of income from deconsolidation in the amount of EUR 3,418,000.

<sup>&</sup>quot;Other" investments (\*) include a holding in Cassa di Risparmio di Prato, a company previously



consolidated on a line-by-line basis. With a contract which was signed in December 2002 for the sale of this investment and the Bank of Italy's authorization of the sale granted to the counterparty prior to the approval of the draft financial report by the Banca MPS Board of Directors, a decision was made to deconsolidate the holding from the financial results in light of the certainty of the sale (even though the sale was not settled until 2003).

The economic effects of the transaction have been reported by the parent company in the financial statements as of 31 December 2002, through the valuation of the commitment to deliver the shares effected pursuant to Article 2, Paragraph 5 of Legislative Decree n. 87/92. Reported in "other assets" with an offsetting entry to "extraordinary income", the commitment was valued at EUR 253,528,000 which is equal to the difference between the price for the sale of the holding and its carrying value in the consolidated financial statements, net of the deconsolidation charge of EUR 25,301,000.

3.6.2 Other equity investments

31.12.2002		3	31.12.2001	
Net l	Valued with Equity Method	Other	Valued with Net Equity Method	Other
A. Opening balance	36,243	2,320,905	36,365	1,657,967
B. Increases:	26,874	749,274	1,492	928,625
<ul><li>B.1 Purchases</li><li>B.2 Recoveries</li><li>B.3 Revaluations</li><li>B.4 Other changes</li></ul>	- - - 26,874	623,670 44 - 125,560	- - 1,492	867,306 661 - 60,658
C. Decreases:	562	1.528.803	1.614	265.687
C.1 Sales C.2 Valuation adjustments including: permanent write C.3 Other changes	edowns 562	1,254,044 270,360 13,428 4,399	- - 1,614	41,781 12,067 37 211,839
D. Closing balance	62,555	1,541,376	36,243	2,320,905

Purchases, sales and valuation adjustments for "other investments" are mainly related to holdings in BNL and San Paolo IMI:

#### Banca Nazionale del Lavoro

The investment amounts to 4.56 percent of the share capital after the sale of 0.17 percent. The reduction in the holding was made so as to limit the voting rights of the participants in the shareholder agreement signed in April 2002 with the objective of eliminating the obligation of a tender offer for all shares of the institution. The sale involved a capital loss of EUR 12,291,000 which was accrued as an extraordinary charge. Even though this investment is considered strategic to the Group's interest, management opted to review the book value of the holding in light of the persistent unfavorable conditions in the financial markets and the future prospects for the economy. The value of the investment was accordingly written down by a total of EUR 263,225,000.

#### San Paolo IMI

In 2002, the Group sold a 4.99 percent interest in San Paolo IMI. The aggregate price of the sale came to EUR 785,400,000. The capital loss incurred of EUR 425,318,000 as the difference between the sale price and the carrying value of EUR 1,210,718,000 was booked as an extraordinary charge and was neutralized by the use of the revaluation reserve set up under Law 342/2000.

Simultaneous with the sale of the investment, Banca MPS purchased 49 percent of a newly incorporated company Santorini Investment Ltd. for an investment of EUR 328,690,000. The new company is controlled by Deutsche Bank AG.

# SECTION 4 - FIXED AND INTANGIBLE ASSETS

# FIXED ASSETS

Fixed assets consist of the following:

Total	2,135,218	2,103,208
Furniture and equipment	597,548	202,921
Other buildings	57,069	391,779
Buildings used in core business	1,480,601	1,508,508
	31.12.2002	31.12.2001

### 4.1 ANNUAL CHANGES IN BALANCES OF FIXED ASSETS

The annual changes in the fixed asset accounts are summarized in the table below:

		31.12.2002	31.12.2001
A.	Opening balance	2,103,208	1,945,543
В.	Increases:	418,857	332,094
	B.1 Purchases	371,101	319,797
	B.2 Recoveries	857	-
	B.3 Revaluations	-	-
	B.4 Other changes	46,899	12,297
c.	Decreases:	386,847	174,429
	C.1 Sales	33,861	13,826
	C.2 Valuation adjustments	171,365	156,603
	depreciation	171,365	156,603
	permanent writedowns	-	-
	C.3 Other changes	181,621	4,000
D.	Closing balance	2,135,218	2,103,208
E.	Total revaluations	-	-
F.	Total adjustments	1,455,821	1,383,591
	depreciation	1,431,182	1,364,236
	permanent writedowns	24,639	19,355

Other changes (C.3) include EUR 158,067,000 of assets to be leased which were transferred from the leasing and factoring business unit of the parent company to MPS Leasing & Factoring. The same amount is included in purchases (B.1) as a transaction effected by MPS Leasing e Factoring.



#### **INTANGIBLE ASSETS**

Intangible assets consist of the following:

	31.12.2002	31.12.2001
Start-up costs	12,247	35,317
Commissions for placement of debentures	10,604	227
Leasehold improvements	22,724	16,013
Software (1)	260,257	177,725
Goodwill	5,043	1,351
Other (2)	123,421	198,133
Total	434,296	428,766

<sup>(1)</sup> The software programs are mainly used by the MPS Group's Operating Consortium

# 4.2 ANNUAL CHANGES IN THE BALANCES OF INTANGIBLE ASSETS

The annual changes in the intangible asset accounts are summarized in the table below:

	31.12.2002	31.12.2001
A. Opening balance	428,766	352,495
B. Increases:	304,973	270,102
B.1 Purchases	254,828	260,081
B.2 Recoveries	-	-
B.3 Revaluations	-	-
B.4 Other changes	50,145	10,021
C. Decreases:	299,443	193,831
C.1 Sales	3,281	14,826
C.2 Valuation adjustments	234,828	127,618
- amortization	173,715	127,309
- permanent writedowns	61,113	309
C.3 Other changes	61,334	51,387
D. Closing balance	434,296	428,766
E. Total revaluations	-	-
F. Total adjustments	368.496	299.023
- amortization	307,383	287,119
- permanent writedowns	61,113	11,904

Other changes (C.3) include the spin-off of assets from the parent company to the Operating Consortium and to Banca 121 P.F. S.p.A. in the respective amounts of EUR 33.615,000 and EUR 12,342,000.

<sup>(2)</sup> Other amounts include multi-annual costs mainly incurred by the parent company (EUR 67,992,000) and by Banca Agricola Mantovana (EUR 18,026,000) in relation to certain business development projects whose utility extends over several years.

# SECTION 5 - OTHER ASSETS

#### 5.1 COMPOSITION OF ACCOUNT 150 - OTHER ASSETS

Other assets consist of the following:

	31.12.2002	31.12.2001
Amounts due from taxpayers – tax collection service	3,306,183	2,550,387
Due from the Treasury	894,936	946,132
Third-party checks held for collection	560,215	683,190
MPS checks held for collection	184,888	228,525
Clearing balances with branches	218,135	107,747
Valuation adjustments on foreign currency transactions	6	5,850
Security deposits	257,125	241,352
Balances on foreign exchange transactions	32,566	24,256
Non-banking operating assets	47,406	-
Assets subject to litigation not related to lending transactions	14,311	6,781
Subsidies for interest-subsidized loans		2,282
Deferred tax assets (*)	489,196	365,052
Option premium	2,124,536	3,379,019
Off-balance-sheet transaction revaluation	6,526,387	3,357,720
Other	4,776,429	1,543,846
Total	19,432,319	13,442,139

<sup>(\*)</sup> See note in Section 7.4 - Reserve for taxes

The "revaluation of off-balance-sheet transactions" includes the entries offsetting the revaluation of forward foreign exchange contracts for derivatives outstanding as of the end of the period. The criteria for such accounting treatment are set forth in Part A, Section 1 of the notes to the financial statements.

# 5.2 COMPOSITION OF ACCOUNT 160 - ACCRUED INCOME AND PREPAYMENTS

Accrued income and prepayments consist of the following:

	31.12.2002	31.12.2001
Accrued income:		
Interest on owned securities	197,342	197,463
Interest on loans and advances to banks	63,155	157,258
Interest on loans and advances to customers	210,672	183,993
Differentials on hedging transactions	831,404	914,551
Tax collection commissions	509	5,589
Other	42,293	26,407
	1,345,375	1,485,261
Prepayments:		
Differentials on hedging transactions	33,506	14,095
Costs	7,288	10,424
Issuing discounts	76,722	24,376
Other	105,050	110,718
	222,566	159,613
Total	1,567,941	1,644,874



# 5.3 ADJUSTMENTS TO ACCRUED INCOME AND PREPAYMENTS

No adjustments have been made directly to the accounts.

# 5.4 DISTRIBUTION OF SUBORDINATED LOANS

The Group holds the following assets whose repayment is subordinated to the respective borrowers' repayment of other obligations:

Total	1,145,690	883,093
Bonds and other fixed-income securities	745,795	732,229
Customer loans and advances (°)	399,895	141,007
Amounts due from banks	-	9,857
	31.12.2002	31.12.2001

<sup>(\*)</sup> The balance includes EUR 42,993,000 relative to subordinated loans granted by the parent company to several special-purpose companies set up for the credit securitization transactions.

# **SECTION 6 - LIABILITIES**

# 6.1 COMPOSITION OF ACCOUNT 10 - DUE TO BANKS

	31.12.2002	31.12.2001
a) Repurchase agreements	7,437,044	1,578,392
b) Pledged securities	16,014	
Funding from banks consists of the following amounts:		
	31.12.2002	31.12.2001
Sight	799,834	1,038,275
Current accounts	450,858	624,236
Demand deposits	238,596	403,325
Other	110,380	10,714
Time or requiring advance notice of withdrawal	19,716,481	14,067,980
Time deposits	11,299,364	11,473,715
Deposits received from central banks	-	-
Borrowings from central banks	454,598	418,074
Borrowings from banks	906	72,633
Borrowings from international institutions	476,940	494,513
Re-financing from medium-term and		
other specialized lenders (Artigiancassa)	28,077	3,611
Repurchase agreements	7,437,044	1,578,392
Pledged securities	16,014	
Other ::	3.538	27,042
Other	3,330	27,042
Total	20,516,315	· · · · · · · · · · · · · · · · · · ·
	<b>20,516,315</b> R DEPOSITS	15,106,255
Total	20,516,315	15,106,255
Total	<b>20,516,315</b> R DEPOSITS	<b>15,106,255</b> 31.12.2001
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER	20,516,315  R DEPOSITS  31.12.2002	<b>15,106,255</b> 31.12.2001
6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending	20,516,315  R DEPOSITS  31.12.2002  7.832,685  6,215	<b>15,106,255</b> 31.12.2001
6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements	20,516,315  R DEPOSITS  31.12.2002  7.832,685  6,215	31.12.2001 6,573,739
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts	20,516,315  R DEPOSITS  31.12.2002  7.832,685  6,215  : 31.12.2002	31.12.2001 6,573,739 31.12.2001
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight	20,516,315  R DEPOSITS  31.12.2002  7,832,685  6,215  :  31.12.2002  38,661,446	31.12.2001 6,573,739 31.12.2001 36,377,967
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight  Current accounts	20,516,315  R DEPOSITS  31.12.2002  7,832,685  6,215  :  31.12.2002  38,661,446 34,837,400	31.12.2001 6,573,739 31.12.2001 36,377,967 32,518,565
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight  Current accounts  Demand deposits	20,516,315  R DEPOSITS  31.12.2002  7.832,685 6,215  :  31.12.2002  38,661,446 34,837,400 3,524,249	31.12.2001 6,573,739 31.12.2001 36,377,967 32,518,565 3,674,848
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight  Current accounts  Demand deposits  Other	20,516,315  R DEPOSITS  31.12.2002  7,832.685 6,215  :  31.12.2002  38,661,446 34,837,400 3,524,249 299,797	31.12.2001 6,573,739 31.12.2001 36,377,967 32,518,565 3,674,848 184,554
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight  Current accounts  Demand deposits  Other  Time or requiring advance notice of withdrawal	20,516,315  R DEPOSITS  31.12.2002  7.832,685 6,215  :  31.12.2002  38,661,446 34,837,400 3,524,249	31.12.2001 6,573,739 31.12.2001 36.377,967 32,518,565 3,674,848 184,554 10,623,504
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight  Current accounts  Demand deposits  Other	20,516,315  R DEPOSITS  31.12.2002  7,832,685 6,215  :  31.12.2002  38,661,446 34,837,400 3,524,249 299,797 11,118,353 605,801	31.12.2001 6,573,739 31.12.2001 36.377,967 32,518,565 3,674,848 184,554 10,623,504 558,507
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight  Current accounts  Demand deposits  Other  Time or requiring advance notice of withdrawal  Saving deposits  Current accounts	20,516,315  R DEPOSITS  31.12.2002  7,832.685 6,215  :  31.12.2002  38,661,446 34,837,400 3,524,249 299,797 11,118,353	31.12.2001 6,573,739 31.12.2001 36,377,967 32,518,565 3,674,848 184,554 10,623,504 558,507 2,829,283
A) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight Current accounts Demand deposits Other  Time or requiring advance notice of withdrawal Saving deposits	20,516,315  R DEPOSITS  31.12.2002  7,832,685  6,215  :  31.12.2002  38,661,446  34,837,400  3,524,249  299,797  11,118,353  605,801  2,190,838	31.12.2001 6,573,739 31.12.2001 36,377,967 32,518,565 3,674,848 184,554 10,623,504 558,507 2,829,283 6,573,739
Total  6.2 COMPOSITION OF ACCOUNT 20 - CUSTOMER  a) Repurchase agreements b) Securities lending  Customer deposits consist of the following amounts  Sight  Current accounts  Demand deposits  Other  Time or requiring advance notice of withdrawal  Saving deposits  Current accounts  Repurchase agreements	20,516,315  R DEPOSITS  31.12.2002  7,832,685  6,215  :  31.12.2002  38,661,446  34,837,400  3,524,249  299,797  11,118,353  605,801  2,190,838  7,832,685	31.12.2001 6,573,739 31.12.2001 36,377,967 32,518,565 3,674,848 184,554 10,623,504 558,507 2,829,283 6,573,739 29,474 632,501



# 6.3 COMPOSITION OF ACCOUNT 30 - OTHER BORROWED FUNDS BACKED BY NEGOTIABLE INSTRUMENTS

Other borrowed funds backed by negotiable instruments include:

Total	27,474,692	26,799,865
Other securities	570,541	784,892
Certificates of deposit	6,315,758	8,315,796
Bonds	20,588,393	17,699,177
	31.12.2002	31.12.2001

The other securities include cashier checks and bank drafts still outstanding.

### 6.4 COMPOSITION OF ACCOUNT 40 - THIRD-PARTY FUNDS UNDER ADMINISTRATION

	31.12.2002	31.12.2001
Funds in EUR	36,454	43,577

The account includes liabilities for funds provided by public-sector entities which are earmarked for specific uses in accordance with special laws.

### **SECTION 7 - RESERVES**

This section summarizes the liabilities in Accounts 70, 80, and 90.

#### COMPOSITION OF ACCOUNT 90 - RESERVE FOR LOAN LOSSES

The reserve for loan losses has been calculated in accordance with Article 20, Paragraph 6 of Legislative Decree No. 87/92. The reserve, which is subject to taxation, does not represent an adjustment to a specific asset item and covers only potential credit risks.

#### 7.2 CHANGE IN THE RESERVE FOR LOAN LOSSES

		31.12.2002	31.12.2001
A.	Opening balance	299,941	272,359
В.	Increases	90,169	59,137
	B.1 Provisions	90,008	57,065
	B.2 Other changes	161	2,072
C.	Decreases	35,595	31,555
	C.1 Usage	27,805	25,581
	C.2 Other changes	7,790	5,974
D.	Closing balance	354,515	299,941

A provision of EUR 90,008,000 was allocated to the reserve for loan losses after having taken into account the usage of EUR 35,595,000. As a result of the provision, the MPS Group has improved its coverage of potential future losses vis-à-vis the reserve balance as of the end of the prior year.

The reserve for loan losses referring to third parties, as computed in relation to the holdings in consolidated companies, amounts respectively to EUR 30,342,000 and EUR 37,249,000 as of 31 December 2002 and 2001.

# 7.3 COMPOSITION OF SUB-ACCOUNT 80 D) - RESERVES FOR RISKS AND OTHER CHARGES: OTHER RESERVES

	31.12.2002	31.12.2001
Provisions for guarantees and commitments	47,003	45,741
Reserve for philanthropic activities	681	438
Reserve for risks and other charges:	568,977	535,871
- pending litigation	107,999	105,125
- charges on renewal of contracts	1,155	155
- action for revocation	145,999	137,671
- tax collection activities	111,405	116,405
- provisions for losses on equity investments	29,499	6,618
- Interbank Guarantee Fund	133	132
- Interbank Deposit Protection Fund	-	-
- Securities issued by high-risk nations	12,400	11,553
- Other	160,387	158,212
Total	616,661	582,050

The "other" account includes an estimated provision of EUR 53,000,000 to cover the probable risk of renegotiating the interest rates on subsidized mortgages made by the parent company. This estimate was effected by applying a new rate of 9% to the installments due from 1 July 1999 to 31 December 2002. The estimated charge relative to the installments due between 2003 and 2008 is EUR 26,000,000.



# Provisions for guarantees and commitments

Total	47,003	45,741
Other changes	729	15,313
Usage	(4,063)	(594)
Provisions	4,596	6,227
Opening balance	45,741	24,795
	31.12.2002	31.12.2001

The provisions for guarantees and commitments have been made to cover losses of value as calculated in accordance with the criteria provided in Article 20, Paragraph 7 of Legislative Decree 87/92.

### Reserve for philanthropic activities

The reserve has been established to cover quotas of earnings set aside for philanthropic activities and community services. Changes in the reserve are summarized in the following table:

Opening balance	31.12.2002	31.12.2001
Allocation of prior-year profits	1.097	775
Use of the reserve	(854)	(856)
Total	681	438

# Reserve for risks and other charges

Changes in the reserve are summarized in the following table:

Closing balance	568,977	535,871
Other changes	(37,375)	(18,656)
Usage	(51,655)	(58,835)
Increases	17,688	1,909
Provisions	104,448	101,720
Opening balance	535,871	509,733
	31.12.2002	31.12.2001

The reserves cover liabilities which are probable or certain but whose amount or settlement date were unknown as of the date of the financial statements.

### 7.4 COMPOSITION OF SUB-ACCOUNT 80 B) – RESERVE FOR TAXES

Other taxes Deferred taxes	125,378 181,675	135,966 22,554
	,-	,
Deferred taxes	181,675	22,554

The reserve includes provisions necessary to cover current fiscal charges as well as deferred charges and substitution taxes. The reserve is deemed sufficient to meet the Group's fiscal obligations as calculated in accordance with prevailing laws.

In light of current tax disputes outstanding and possible disputes relative to tax returns still subject to audit, no further liabilities are expected to arise with respect to existing provisions. The Group is also in a position to realize significant tax benefits related to oneseventh and one-ninth of losses on credits computed in accordance with Article 3, Paragraphs 103, 107 and 108 of Law 549/95).

Following are the changes in the account balance during the year:

	31.12.2002	31.12.2001
Opening balance	842,670	1,005,619
Provisions:	727,959	706,684
Income tax	443,948	673,037
Other taxes	7,833	6,487
Other provisions	178,481	26,598
Other increases	97,697	562
Usage for payments made during the year	(797,654)	(868,435)
Other changes	(26,796)	(4,552)
Foreign-exchange differences and other changes	-	3,354
Closing balance	746,179	842,670

## Deferred tax assets offset by entries to the Profit and Loss Statement

		31.12.2002		31.12.2001
Opening balance		365,052		300,998
Increases		361,680		189,398
- deferred taxes booked during the year	338,769		175,197	
- other increases	22,911		14,201	
Decreases		237,536		125,344
- deferred taxes cancelled during the year (1)	225,153		115,371	
- other decreases	12,383		9,973	
Closing balance		489,196		365,052

(1) The balance includes deferred taxes assets reported in 2001 relative to dividends accrued in 2001 and paid in 2002; the assets have been classified in the 2002 financial statements as receivables from the Treasury for tax credits on dividends.

#### Deferred tax assets offset by entries to the Balance Sheet

		31.12.2002		31.12.2001
Opening balance		52,954		-
Increases		5,722		52,954
- deferred taxes booked during the year	5,722		52,954	
- other increases	-		-	
Decreases		14,616		-
- deferred taxes cancelled during the year	13,614		-	
- other decreases	1,002		-	
Closing balance		44,060		52,954

The account includes deferred tax assets relative to the fifths of the losses arising from the Ulisse and Ulisse 2 securitization transactions which were charged by the parent company and the subsidiary, Banca Toscana, to the extraordinary reserve set up pursuant to Article 6 of Law n. 130/99. The taxes arising during the year refer, in the case of the parent company, to the losses on the junior securities underlying the Ulisse securitization.



# Deferred tax liabilities offset by entries to the Profit and Loss Statement

		31.12.2002		31.12.2001
Opening balance		135,109		50,612
Increases		177,634		115,104
- deferred taxes booked during the year	176,790		115,000	
- other increases	844		104	
Decreases		126,119		30,607
- deferred taxes cancelled during the year	125,512		29,605	
- other decreases	607		1,002	
Closing balance		186,624		135,109

## Deferred tax liabilities offset by entries to the Balance Sheet

	31.1	2.2002	31	.12.2001
Opening balance		-		-
Increases		-		-
- deferred taxes booked during the year	-		-	
- other increases	-		-	
Decreases		-		-
- deferred taxes cancelled during the year	-		-	
- other decreases	-		-	
Closing balance		-		-

Pursuant to Italian Accounting Principle No. 25, deferred tax assets and deferred tax liabilities respectively include EUR 107,361,000 and EUR 101,505,000 of amounts booked in relation to the accrual of dividends. Such amounts were eliminated from the dividends reported in the profit and loss statement and charged to the "income tax" account.

## 7.5 COMPOSITION OF ACCOUNT 80 A) – PENSION FUND AND SIMILAR OBLIGATIONS

The changes in the account balance over 2002 are summarized below:

Opening balance	31.12.2002 389,025	31.12.2001 <b>385,227</b>
Usage	(44,274)	(35,326)
Provisions	29,187	24,751
Other changes *	22,701	14,373
Total	396,639	389,025

<sup>\*</sup> The item "other changes" include provisions to defined contribution plans.

# 7.6 COMPOSITION OF ACCOUNT 70 – STAFF SEVERANCE INDEMNITY RESERVE

The changes in the account balance during the year are summarized below:

(41,143)	(39,598)
-	-
84,402	77,542
(10,801)	(11,648)
(22,282)	(27,740)
424,026	425,470
31.12.2002	31.12.2001
	424,026 (22,282) (10,801)

The staff severance indemnity reserve includes all amounts due to the employees as of the end of the year in accordance with prevailing laws and labor contracts. The "other changes" item mainly covers amounts designated by employees for transfer to pension funds.



# SECTION 8 - CAPITAL, RESERVES AND RESERVE FOR GENERAL BANKING RISK

This section includes the following items:

Shareholders' equity accounts:

	31.12.2002	31.12.2001
Reserve for general banking risks	360,812	445,288
Negative consolidation differences	21,343	20,834
Negative net equity differences	1,570	1,237
Share capital	1,675,023	1,356,154
Additional paid-in capital	522,925	522,925
Reserves:		
- legal reserve	271,231	243,816
- reserve for own shares	10,417	18,644
- statutory reserve	974,812	666,488
- other reserves	1,115,833	1,141,722
Revaluation reserves	14,406	731,455
Profit (loss) carried forward	70	89
Profit (loss) for the year	581,813	618,834
Total shareholders' equity	5,550,255	5,767,486

#### Other assets:

	31.12.2002	31.12.2001
Positive consolidation differences	756,509	717,270
Positive net equity differences	114,268	126,045
Total	870,777	843,315

The Statement of Changes in Consolidated Shareholders Equity is presented as an attachment to these notes.

## 8.1 RESERVE FOR GENERAL BANKING RISKS

The table below summarizes the changes in the reserve:

Closing balance	360,812	445,288
Other changes	(84,477)	(48)
Usage	-	-
Provisions	1	5,376
Opening balance	445,288	439,960
	31.12.2002	31.12.2001

#### 8.2 SUBORDINATED DEBT

Issuer	Maturity	Currency	Interest	Net Countervalue Outstanding
1 Banca Monte dei Paschi di Siena S.p.A.	01/12/05	ITL	variable	154,886
2 Banca Monte dei Paschi di Siena S.p.A.	01/12/05	ITL	fixed	154,876
3 Banca Monte dei Paschi di Siena S.p.A.	12/03/09	EURO	variable	417,793
4 Banca Monte dei Paschi di Siena S.p.A.	30/09/06	EURO	variable	210,000
5 Banca Monte dei Paschi di Siena S.p.A.	15/05/07	EURO	fixed	150,000
6 Banca Monte dei Paschi di Siena S.p.A.	15/05/07	EURO	variable	150,000
7 Banca Monte dei Paschi di Siena S.p.A.	07/07/15	EURO	variable	30,000
8 Banca Monte dei Paschi di Siena S.p.A.	20/07/15	EURO	variable	25,000
9 Banca Monte dei Paschi di Siena S.p.A.	21/12/10	EURO	variable	300,000
10 Banca Monte dei Paschi di Siena S.p.A.	18/05/11	EURO	variable	250,000
11 Banca Monte dei Paschi di Siena S.p.A.	20/07/11	EURO	variable	250,000
12 Banca Monte dei Paschi di Siena S.p.A.	20/07/11	EURO	variable	150,000
13 Banca Monte dei Paschi di Siena S.p.A.	04/03/04	EURO	variable	350,000
14 Banca Monte dei Paschi di Siena S.p.A.	20/12/02	EURO	variable	88,500
15 Banca Monte dei Paschi di Siena S.p.A.	20/12/02	EURO	variable	100,000
16 Banca Monte dei Paschi di Siena S.p.A.	31/12/02	EURO	variable	11,500
17 Banca Monte dei Paschi di Siena S.p.A.	01/12/98	EURO	variable	51,645
18 Banca Popolare di Spoleto S.p.A.	01/05/06	EURO	variable	10,915
19 MPS Merchant S.p.A.	01/06/10	EURO	variable	46,000
20 MPS Finance Banca Mobiliare				25,000
Total				2,926,115

#### ■ BASIC PROVISIONS OF SUBORDINATED DEBT AGREEMENTS

#### **Prepayments**

The subordinated debt agreements do not include any provisions for prepayment. In addition, the agreements have no provisions for the conversion into equity or into other types of liabilities. The subordinated debt issues have been structured and placed in accordance with the Bank of Italy requirements, and may be included as Tier 2 capital for the computation of capital-adequacy ratios. The following conditions are expressly provided:

- Should the Group companies be placed in liquidation, the debt would be reimbursed only after debtors with higher ranking claims have been satisfied;
- The term of the loans is no less than five years;
- The prepayment of the debt may only take place upon the Group companies' initiative and must be approved by the Bank of Italy.

#### **Subordination Conditions**

Should the issuer be liquidated, the issuer's loans may be paid out only after the repayment of all other higher-ranking claims and unsecured debt, but before the payment of any participating loans.



#### Preference shares

Issuer	Maturity Date	Currency	Yield	Net Countervalue
				Outstanding
MPS Preferred Ca	pital I LLC07/02/2031	EUR	Fixed	350,000

#### 8.3 NEGATIVE CONSOLIDATION DIFFERENCES

Negative consolidation differences are the result of the consolidation of the following companies:

Total	21,343	20,834
Other companies	1,535	1,026
MPS Banca Verde	7,684	7,684
Banca Toscana	12,124	12,124
	31.12.2002	31.12.2001

#### 8.4 NEGATIVE NET EQUITY DIFFERENCES

The differences refer to companies valued with net equity method, as detailed in Section 3. The accounting principles adopted for determining such differences are indicated in Section 1, Part A.

#### 8.5 MINORITY INTERESTS

Total	807,605	941,958
Decreases	(256,152)	(89,731)
Increases	30,827	147,850
Changes in the area of consolidation	929	-
Profit (loss) for the year	90,043	96,075
Opening balance	941,958	787,764
	31.12.2002	31.12.2001

The decreases are mainly attributable to (i) increased investment in the capital of Banca Toscana, where the equity interest went from 57.3 percent to 64.8 percent and Banca Agricola Mantovana, where the holding rose from 52.3 percent to 65.5 percent and (ii) the merger by incorporation of Banca 121.

#### 8.6 SHARE CAPITAL

			31.12.2002
	Par Value	Number	Value in EUR
Ordinary shares	0.64	2,607,791,591	1,668,987
Savings shares	0.64	9,432,170	6,036
			1,675,023
			31.12.2001
	Par Value	Number	Value in EUR
Ordinary shares	0,52	2,598,557,169	1,351,250
Savings shares	0,52	9,432,170	4,905
			1,356,155

#### 8.7 COMPOSITION OF ACCOUNT 160 - PAID-IN CAPITAL

	31.12.2002	31.12.2001
Paid-in capital	522,925	522,925

#### 8.8 COMPOSITION OF ACCOUNT 170 - RESERVES

,372,293	2,070,670
1,115,832	1,141,722
974,812	666,488
10,417	18,644
271,232	243,816
1.12.2002	31.12.2001
	1.12.2002

#### 8.9 COMPOSITION OF ACCOUNT 180 - REVALUATION RESERVES

	31.12.2002	31.12.2001
Revaluation reserves	14,406	731,455

The revaluation reserves for the account of minority interests amounted to EUR 1,989,000 and EUR 7,837,000, respectively at the end of 2002 and 2001, with the amounts computed on the basis of the Group's relative holdings in the consolidated companies. The decrease of EUR 717,049,000 in the account balance is mainly attributable to the parent company's use of the reserve, which was set up under Law 342/2000, for the following:

- EUR 425,318,000 to cover the loss on the sale of a holding in San Paolo IMI.
- EUR 290,178,000 in relation to a bonus capital increase which raised the par value of the ordinary and savings shares from EUR 0.52 to EUR 0.64



### 8.10 POSITIVE CONSOLIDATION DIFFERENCES

Positive consolidation differences are the result of the consolidation of the following companies:

Total	756,509	717,270
Other	-	114
Monte Paschi Banque	-	171
Banca C. Steinhauslin & C. S.p.A.	8,494	12,742
Banca Monte Parma S.p.A.	50,417	58,820
MPS Merchant S.p.A.	4,611	2,991
MPS Banca Verde S.p.A.	1,052	1,385
Banca Popolare di Spoleto S.p.A.	10,642	12,577
Banca Monte Paschi Suisse	-	175
Banca Monte Paschi Belgio	3,433	4,839
Intermobiliare Securities Sim S.p.A.	5,257	9,475
G.I. Profidi SIM S.p.A.	96	120
Banca Popolare di Abbiategrasso S.p.A.	18,528	24,704
Cooperbanca S.p.A.	6,292	12,585
Gruppo Banca Agricola Mantovana	631,232	576,572
Banca Toscana	16,455	-
	31.12.2002	31.12.2001

The accounting principles adopted for determining such differences are indicated in Section 1, Part B

#### 8.11 POSITIVE NET EQUITY DIFFERENCES

The differences refer to the companies valued with net equity method, as detailed in Section 3. The accounting principles adopted are indicated in Section 1, Part B. Positive net equity differences are amortized over 10 years.

### 8.12 COMPOSITION OF ACCOUNT 120 - OWN SHARES

	31.12.2002	31.12.2001
Banca Monte dei Paschi di Siena	2,294	3,730
Banca Toscana	7,356	11,977
Banca 121	-	2,937
MPS Finance Banca Mobiliare	746	-
Banca Agricola Mantovana	21	-
Total	10,417	18,644

Own shares are held mainly for trading purposes within the limits established by special resolutions of the Boards of Directors. As of the financial statements of 31 December 2002, own shares are valued at market prices, with the investment offset completely by a restricted reserve in the same amount established pursuant to Article 2357 ter of the Italian Civil Code.

# 8.13 CAPITALIZATION AND CAPITAL ADEQUACY

Category/Amounts	31.12.2002	31.12.2001
A. Calculation of capital for regulatory purposes		
A.1 Total Tier 1 capital	5,160,134	4,789,614
A.2 Total Tier 2 capital	2,530,064	3,142,342
A.3 Deductions	(790,539)	(1,349,099)
A.4 Capital for regulatory purposes	6,899,659	6,582,857
B. Capital required for regulatory purposes		
B.1 Credit risks	5,862,329	5,700,406
B.2 Market risks	649,318	742,180
including:		
- risks on trading securities portfolio	641,813	711,447
- exchange-rate risks	7,505	29,369
B.2.1 Subordinated debt	600,000	500,000
B.3 Other requirements	315,001	196,481
B.4 Total capital required for regulatory purposes	6,226,648	6,139,067
Surplus capital	673,011	443,790
C. Risk-weighted assets and capital adequacy ratios		
C.1 Risk-weighted assets	85,333,103	82,988,338
Total credit risks	73,279,115	71,255,074
Market risk *	8,116,475	9,277,250
C.2 Tier 1/risk-weighted assets	6.05	5.77
C.3 Capital for regulatory purposes/ risk-weighted assets	8.79	8.53
otal capital requirement multiplied by the reciprocal of the minimum obligatory coefficient for credit risks		
lvency coefficient for credit risks	9.42	9.24



## **SECTION 9 - OTHER LIABILITIES**

#### 9.1 COMPOSITION OF ACCOUNT 50 - OTHER LIABILITIES

Following are the principal amounts in the account:

Total	17,218,339	11,371,222
Other	5,049,670	2,801,582
Adjustments to the value of off-balance-sheet transactions	6,424,237	2,511,645
Option premiums	2,008,898	3,261,100
Amounts relating to securities transactions	183,756	95,749
Valuation adjustments to foreign currency transactions	4,371	1,385
Deferred tax liabilities	186,624	135,109
Non-banking liabilities	24,743	13,185
Third-party sums for security deposits	543,912	516,067
Third-party sums due to fiscal authorities and social-welfare institutions	s 188,523	196,387
Items relating to foreign currency transactions	46,100	72,619
Clearing balances with branches	142,733	165,892
Sums available to customers	653,257	471,764
Liabilities related to tax collection activity	1,761,515	1,128,738
	31.12.2002	31.12.2001

The "adjustments to the value of off-balance-sheet transactions" includes the offsetting accounting entries for the revaluation of forward foreign exchange commitments relative to derivatives contracts in effect as of the end of the period, as indicated in the criteria described in Part A, Section 1 of these notes.

#### 9.2 COMPOSITION OF ACCOUNT 60 - ACCRUED LIABILITIES AND DEFERRED INCOME

Accrued liabilities and deferred income consist of the following:

Total	1,675,215	1,876,553
	330,598	283,620
Other	173,754	101,334
Commissions	10,730	11,443
Differentials on hedging transactions	121,059	140,095
Discount portfolio	25,055	30,748
Deferred income:		
	1,344,617	1,592,933
Other	60,513	64,906
Administrative expenses	96,351	149,200
Differentials on hedging transactions	630,462	824,939
Interest on amounts due to banks	31,980	57,999
Interest on certificates of deposit	38,324	63,766
Interest on securities issued	453,313	394,059
Interest due on customer deposits	33,674	38,064
Accrued liabilities:		
	31.12.2002	31.12.2001

#### 9.3 ADJUSTMENTS WITH RESPECT TO ACCRUED LIABILITIES AND DEFERRED INCOME

No adjustments have been made directly to the accounts.

#### SECTION 10 – GUARANTEES AND COMMITMENTS

#### 10.1 COMPOSITION OF ACCOUNT 10 – GUARANTEES RELEASED

Total	6,390,897	9,286,666
Third-party bonds	25,122	155,750
c) Assets pledged under guarantees:		
	3,118,448	5,714,853
Other	421,398	873,882
Endorsements and sureties	2,623,100	4,760,705
Acceptances	73,950	80,266
b) Endorsement credits of a financial nature:		
	3,247,327	3,416,063
Other	194,649	381,302
Endorsements and sureties	2,560,699	2,629,804
Bankers acceptances	85,884	52,701
Documentary credits	406,095	352,256
a) Endorsement credits of a commercial nature:		
	31.12.2002	31.12.2001

## 10.2 COMPOSITION OF ACCOUNT 20 - COMMITMENTS AND ACCOUNT 30 -COMMITMENTS FOR CREDIT DERIVATIVES

Total	25,879,772	22,077,902
	18.510.128	20.127.424
Other commitments (°°)	1,537,182	3,432,855
Installments (tax collection)	12,461,351	11,353,207
Interbank Deposit Protection Fund	75,044	80,792
Available margins on lines of credit to customers	4,142,418	4,876,243
Available margins on lines of credit to banks	294,133	384,327
b) Commitments to disburse funds for which usage is no	t certain:	
	7,369,644	1,950,478
Other commitments and risks (°)	3,158,779	866,403
Installments coming due (tax collection)	-	-
Commitments to purchase securities	4,185,177	830,397
Loans and deposits to be funded to banks	7,797	101,259
Mortgage loans to be disbursed to customers	17,891	152,419
a) Commitments to disburse funds for which usage is cer	rtain:	
	31.12.2002	31.12.2001

<sup>(\*)</sup> The amount mainly covers credit derivatives contracts in which the Group acts as seller of protection

Credit risk on guarantees and commitments is estimated using the criteria adopted for cash loans; such risk has been quantified in the amount of EUR 47,003,000, as illustrated in Section 7, which is posted to liabilities under a specific reserve for risks and charges.

<sup>(\*\*)</sup> The amount includes put options put into place by the parent company as part of the public tender offer for



#### 10.3 ASSETS PLEDGED TO GUARANTEE THE GROUP'S OWN LIABILITIES

Fixed-income securities have been pledged as follows:

Total	11,237,493	6,981,332
Other	127,852	1,832,674
Guarantees for issuance of cashier checks	129,355	103,638
Guarantees for repurchase agreements	10,575,479	4,651,941
Guarantees for advances from the Bank of Italy	404,807	393,079
	31.12.2002	31.12.2001

#### 10.4 AVAILABLE MARGINS ON LINES OF CREDIT

The Group has the following availability under credit lines in effect as of year end:

Total	1,325,113	1,233,671
b) Other banks	467,237	405,768
a) Central banks	857,876	827,903
	31.12.2002	31.12.2001

#### 10.5 FORWARD TRANSACTIONS

Forward transactions at the end of the year are summarized in the following table:

Types of Transactions	Hedging	Trading	Other
1. Sales and purchases			
1.1 Securities:			
Purchases	-	4,176,463	10,994
Sales (*)	-	960,270	411,225
1.2 Foreign exchange:			
Currency against currency	1,266,548	63,362	-
Purchases against euros	5,068,882	238,635	-
Sales against euros	832,466	274,144	
2. Deposits and loans:			
to be disbursed	6,799	11,886	67,000
to be received	1,552	7,954	142,705
3. Derivatives contracts:			
3.1 With exchange of principal			
a) Securities:			
Purchases		3,609,733	609,538
Sales	7,720	3,791,371	-
b) Foreign exchange			
Currency against currency	37,053	21,867,774	
Purchases against euros	452,193	7,041,041	
Sales against euros	131,133	6,972,279	
c) Other negotiable instruments:			
Purchases	-	173,815	
Sales	-	194,538	
3.2 Without exchange of principal:			
a) Foreign exchange			
Currency against currency	-	-	
Purchases against euros	11,449	272,369	
Sales against euros	5,129	286,686	
b) Other negotiable instruments:			
Purchases	32,959,677	162,050,162	1,241,921
Sales (**)	26,589,355	168,747,384	3,180,878

<sup>(\*)</sup> A total of EUR 411,225,000 indicated among other transactions represents the commitment arising from the agreement to sell the equity investment held in Cariprato S.p.A

<sup>(\*\*)</sup> The trading transactions include contracts to hedge trading securities in the amount of EUR 930,180,000

#### 10.6 CREDIT DERIVATIVES CONTRACTS

		31.12.20	02	31.12.200	)1
Туре	s of Transactions	Trading	Other	Trading	Other
1.	Purchase of protection				
1.1	With exchange of capital	1,485,437	125,446	60,000	230,691
1.2	Without the exchange of cap	ital 334,420	173,450		
2.	Sale of protection				
2.1	With exchange of capital	1,764,052	217,227	60,000	176,979
2.2	Without the exchange of cap	ital 88,150	-	-	-



#### SECTION 11 - DISTRIBUTION AND CONCENTRATION OF ASSETS AND LIABILITIES

#### 11.1 MATERIAL RISKS

	31.12.2002	31.12.2001
Amount	4,242,035	1,361,220
Number	4	1

The amount refers to exposure to "groups of customers" which has been appropriately weighted in accordance with prevailing regulations.

# 11.2 DISTRIBUTION OF CUSTOMER LOANS AND ADVANCES BY PRINCIPAL CATEGORIES OF BORROWERS

The distribution of customer loans by principal categories of borrowers is provided in the following table:

	31.12.2002	31.12.2001
a) Governments	1,516,820	1,787,529
b) Other public-sector entities	2,854,253	2,924,120
c) Non-financial companies	40,011,726	35,685,855
d) Financial institutions	6,200,224	4,258,315
e) Family-owned businesses	5,237,664	4,764,896
f) Other	12,651,283	13,617,382
Total	68,471,970	63,038,097

# 11.3 DISTRIBUTION OF LOANS TO NON-FINANCIAL COMPANIES AND RESIDENT, FAMILY-OWNED BUSINESSES

The distribution of loans to non-financial companies and resident family-owned businesses by economic sector is summarized in the following table:

a) Commercial services, recoveries and repairs     6,880,509     6,522,099       b) Construction and public works     4,114,797     3,873,284       c) Farming, forestry and fishery     2,488,029     2,038,212       d) Textiles, leather footwear, and apparel     2,466,519     2,451,712       e) Food and beverage products     2,098,043     1,522,392       f) Other     19,781,711     18,521,098       Total     37,829,608     34,928,797			
b) Construction and public works c) Farming, forestry and fishery d) Textiles, leather footwear, and apparel e) Food and beverage products f) Other  2,488,029 2,038,212 2,466,519 2,451,712 2,098,043 1,522,392 19,781,711 18,521,098		31.12.2002	31.12.2001
c) Farming, forestry and fishery 2,488,029 2,038,212 d) Textiles, leather footwear, and apparel 2,466,519 2,451,712 e) Food and beverage products 2,098,043 1,522,392 f) Other 19,781,711 18,521,098	a) Commercial services, recoveries and repairs	6,880,509	6,522,099
d) Textiles, leather footwear, and apparel 2,466,519 2,451,712 e) Food and beverage products 2,098,043 1,522,392 f) Other 19,781,711 18,521,098	b) Construction and public works	4,114,797	3,873,284
e) Food and beverage products 2,098,043 1,522,392 f) Other 19,781,711 18,521,098	c) Farming, forestry and fishery	2,488,029	2,038,212
f) Other 19,781,711 18,521,098	d) Textiles, leather footwear, and apparel	2,466,519	2,451,712
	e) Food and beverage products	2,098,043	1,522,392
Total 37,829,608 34,928,797	f) Other	19,781,711	18,521,098
	Total	37,829,608	34,928,797

# 11.4 DISTRIBUTION OF GUARANTEES RELEASED BY PRINCIPAL CATEGORIES OF COUNTERPARTIES

Guarantees are subdivided as follows, according to the nature of the counterparty who is guaranteed:

	31.12.2002	31.12.2001
a) Governments	4,028	5,520
b) Public-sector entities	213,075	218,654
c) Banks	373,799	2,594,907
d) Non-financial companies	5,011,683	5,314,559
e) Financial institutions	343,794	346,651
f) Family-owned businesses	170,462	182,253
g) Other	274,056	624,122
Total	6,390,897	9,286,666

# 11.5 GEOGRAPHIC DISTRIBUTION OF ASSETS AND LIABILITIES

The geographic distribution of the balances of the principal asset and liability accounts is shown in the following table:

	Account	Italy	Other EU Countries	Other Countries	Total
1.	Assets	81,250,374	15,930,237	4,229,028	101,409,639
	1.1 Amounts due from banks	6,887,048	8,290,222	849,812	16,027,082
	1.2 Customer loans and advances	64,604,782	3,072,670	794,518	68,471,970
	1.3 Securities	9,758,544	4,567,345	2,584,698	16,910,587
2.	Liabilities	81.562.019	12.861.146	6.660.210	101.083.375
	2.1 Due to banks	8,416,277	6,214,882	5,885,156	20,516,315
	2.2 Customer deposits	46,155,250	3,106,787	517,762	49,779,799
	2.3 Other borrowed funds backed by negotiable instruments	24,112,018	3,111,499	251,175	27,474,692
	2.4 Other	2,878,474	427,978	6,117	3,312,569
3.	Guarantees and commitments	27,106,091	3,496,040	1,668,538	32,270,669



#### 11.6 DISTRIBUTION OF MATURITIES OF ASSETS AND LIABILITIES

The maturity distribution of the balances of the principal asset and liability accounts and of off-balance-sheet transactions is shown in the following table

# DISTRIBUTION OF ASSETS AND LIABILITIES BY MATURITY (IN EUR 000'S)

Account	Sight	To and including 3 months	To and including 12 months	Up to 5 years Fixed rate
Assets:				
1.1 Government bonds subject to financing	513	32,768	433,290	3,035
1.2 Amounts due from banks	2,345,918	10,336,136	1,785,459	427,569
1.3 Customer loans and advances	13,410,399	12,034,238	9,019,508	5,613,314
1.4 Bonds and other fixed-income securities	136,533	547,963	3,195,336	3,080,688
1.5 Off-balance-sheet transactions	4,671,722	110,481,827	91,899,491	77,100,808
Total assets	20,565,085	133,432,932	106,333,084	86,225,414
Liabilities:				
2.1 Due to banks	873,941	17,616,148	1,601,140	47,560
2.2 Customer deposits	38,881,961	10,029,531	833,005	29,293
2.3 Other borrowed funds backed by negotiable instr	ruments: 739,599	4,419,143	4,472,663	7,416,075
including:				
- Bonds	134,068	1,025,944	3,104,032	5,942,626
- Certificates of deposit	114,990	3,393,199	1,368,631	1,393,449
- Other securities	490,541	-	-	80,000
2.4 Subordinated debt	-	-	138,946	136,301
2.5 Off-balance-sheet transactions	8,623,985	110,777,913	95,395,024	70,846,620
Total liabilities	49,119,486	142,842,735	102,440,778	78,475,849

				Residual Maturity
Total	Unspecified	Over 5 years	Over 5 years	Up to 5 years
	Maturity	Indexed rate	Fixed rate	Indexed rate
541,635	-	6,382	9,173	56,474
16,027,082	1,057,551	5,237	23,283	45,929
68,471,970	2,350,982	11,421,285	4,074,377	10,547,867
15,454,572	946,800	2,184,090	2,278,090	3,085,072
357,534,984	766,179	2,771,618	67,111,295	2,732,044
458,030,243	5,121,512	16,388,612	73,496,218	16,467,386
20,516,315	14,999	1,796	338,064	22,667
49,779,799	1,244	-	4,765	-
27,474,692	134,140	1,310,522	3,802,009	5,180,541
20,588,393	134,140	1,310,522	3,802,009	5,135,052
6,315,758	-	-	-	45,489
570,541	-	-	-	-
3,276,115	356,000	524,543	350,000	1,770,325
357,595,978	766,178	3,109,073	64,801,006	3,276,179
458,642,899	1,272,561	4,945,934	69,295,844	10,249,712



#### 11.7 FOREIGN-CURRENCY-DENOMINATED ASSETS AND LIABILITIES

The consolidated balance sheet includes the following assets and liabilities denominated in foreign currencies:

	31.12.2002	31.12.2001
a) Assets		
1. Amounts due from banks	3,341,662	3,059,099
2. Customer loans and advances	2,608,296	3,560,706
3. Securities	1,546,708	1,960,927
4. Equity investments	349,673	36,427
5. Other	13,694	16,827
	7,860,033	8,633,986
b) Liabilities		
1. Due to banks	6,286,528	7,641,181
2. Customer deposits	1,780,001	1,592,268
3. Other borrowed funds backed by negotiable instruments	2,876,766	3,870,055
4. Other	-	-
	10,943,295	13,103,504

#### 11.8 SECURITIZED ASSETS

The following securitization transactions were carried out within the MPS Group in 2002 pursuant to Law n. 130/99.

#### MPS ASSETS SECURITISATION S.p.A. ("MAS")

The securitization transaction involved the non-recourse transfer of pecuniary credits by Banca Monte dei Paschi di Siena S.p.A. and several subsidiaries ("originators"). The transferred credits consisted of performing personal loans.

The special-purpose company set up for the transaction, "MAS", is currently 90-percent controlled by a Dutch foundation (Stichting Montecristo). The remaining 10 percent is owned by the Originator Banks in proportion to the credits involved in the transaction. An option exists for the Originator Banks to take control of "MAS" at the termination of the transaction.

During the first quarter of 2002, the Originator banks proceeded to transfer the credits and the relative guarantees to "MAS". The price of the transfer was determined by the sum of two components: the current price of EUR 1,737,690,000, the nominal value of the personal loans as of the date of the valuation (including EUR 837,670,000 represented by 49,005 loans transferred by BMPS), and the deferred price of EUR 71,549,000 (including EUR 31,137,000 relative to the BMPS loans), the latter of which is linked to actual collection of the loans by the special-purpose company (the so-called "excess spread" net of the transaction costs).

Offsetting the purchase of the credits, the special-purpose company issued asset-backed floating rate notes which were to be quoted on the Luxembourg Exchange and placed with institutional investors in Italy and abroad. The securitization transaction was structured in five tranches, with two categories of the bonds rated "AAA" (EUR 347.54 million and EUR 1,129.5 million). The other three tranches include bonds with an "AA" rating (EUR 104.26 million), bonds with an "A+" rating (EUR 69.5 million) and bonds with an "A-" rating (EUR 86.89 million).

Each Originator has assumed the role of servicer for its respective credits.

#### SIENA MORTGAGES 02-03 S.r.l.

During the second quarter of 2002, a portfolio of performing first mortgages on residential properties was sold on a non-recourse basis by Banca Monte dei Paschi di Siena S.p.A. and several subsidiaries ("Originators") to the special-purpose company Siena Mortgages 02-3 S.r.l..

Siena Mortgages 02-3 S.r.l. is currently 80-percent controlled by Finanziaria Internazionale Securitisation Group. The remaining 20 percent is held by Finanziaria Internazionale Holding (14 percent) and by Banca Monte dei Paschi di Siena S.p.A. (6 percent).

The price of the transfer was determined by the sum of two components: the current price of EUR 1,616,070,000, the nominal value of the loans as of the date of the valuation (including EUR 971,980,000 represented by 15,057 loans transferred by BMPS), and the deferred price of EUR 70,210,000 (including EUR 47,311,000 relative to the BMPS loans), the latter of which is linked to actual collection of the loans by the special-purpose company (the so-called "excess spread" net of the transaction costs).

Offsetting the purchase of the credits, the special-purpose company issued asset-backed floating rate notes which were quoted on the Luxembourg Exchange and placed with institutional investors in Italy and abroad. The securitization transaction was structured in four tranches, with two categories of the bonds rated "AAA" (EUR 323.21 million and EUR 1,195.9 million). The other two tranches include bonds with an "AA" rating (EUR 64.64 million), and bonds with a "BBB" rating (EUR 32.32 million).

Each Originator has assumed the role of servicer for its respective credits.

The liquidity generated from these transactions will be reinvested in loan assets, and thus the transactions will allow for improving the MPS Group's return on capital.

#### MANTEGNA FINANCE II S.r.l.

The transaction was launched in December 2002, and regards the non-recourse sale of a portfolio of performing mortgages by Banca Agricola Mantovana S.p.A. The transaction was slated to be closed by the end of February 2003, with the issue and subscription of the notes.

The securitized portfolio consists of 2,866 mortgages for a total value of around EUR 306.6 million. The loans are backed by first mortgages on buildings, with the borrowers including both physical persons and businesses. Roughly 98.78 percent of the properties involved are located in northern Italy.

11.8 A Investment securities secured by loans of the MPS Group

#### Senior securities

No securities of this type are included in the MPS Group's portfolio



#### Mezzanine securities

	Total outstanding	Valuation adjustments	Net Exposure
Securities			
1 Non-performing loans	-		-
2 Watch-list credits			-
3 Other assets	8,780	-	8,780

#### Junior securities

	Total outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	61,260	18,700	42,560
2 Watch-list credits	-		-
3 Other assets	10,000		10,000
Securities			
1 Non-performing loans	-		-
2 Watch-list credits			-
3 Other assets	102,086	-	102,086
Other			
1 Non-performing loans	352,520		352,520
2 Watch-list credits			-
3 Other assets			_

# 11.8 B Trading securities secured by loans of the MPS Group

#### Senior securities

	Total outstanding	Valuation adjustments	Net Exposure
Securities			
1 Non-performing loans	-		-
2 Watch-list credits			-
3 Other assets	314,006	-	314,006
Other			
1 Non-performing loans	30		30
2 Watch-list credits			-
3 Other assets			-

# Mezzanine securities

	Total outstanding	Valuation adjustments	Net Exposure
Securities			
1 Non-performing loans	-		-
2 Watch-list credits			-
3 Other assets	75,005	5,698	69,307
Other			
1 Non-performing loans	30,000		30,000
2 Watch-list credits			-
3 Other assets			-

# Junior securities

No securities of this type are included in the MPS Group's portfolio

#### 11.8 C INVESTMENT SECURITIES SECURED BY LOANS OF THIRD-PARTY INSTITUTIONS

#### Senior securities

	Total outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans			
2 Watch-list credits	-		-
3 Other assets	2,599		2,599
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	4,124		4,124
Other			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	56,600		56,600

#### Mezzanine securities

	Total outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	5,000		5,000
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	5,000		5,000
Other			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	33,409		33,409

#### Junior Securities

	Total outstanding	Valuation adjustments	Net Exposure
Other			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	12,000		12,000



#### 11.8 D TRADING SECURITIES SECURED BY LOANS OF THIRD-PARTY INSTITUTIONS

#### Senior securities

	Total outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	123		123
2 Watch-list credits	19,188		19,188
3 Other assets	12,000		12,000
Securities			
1 Non-performing loans	50,000		50,000
2 Watch-list credits			-
3 Other assets	-	-	-
Other			
1 Non-performing loans			-
2 Watch-list credits			-
3 Other assets	40,085	-	40,085

#### Mezzanine securities

	Total outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	10,000	-	10,000
2 Watch-list credits	17,003	2	17,001
3 Other assets	9,503		9,503
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	32,370		32,370
Other			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	29,400		29,400

#### Junior securities

None

# 11.8 UNDERLYING ASSETS OF THE MPS GROUP

	Book value
Non-performing loans	896,515
Watch-list credits	-
Other assets	1,452,110
Total	2,348,625

#### 11.8 F UNDERLYING ASSETS OF THIRD-PARTY INSTITUTIONS

	Book value
Non-performing loans	
Watch-list credits	
Other assets	360,000
Total	360,000

#### 11.8 G DISTRIBUTION OF SECURITIZED CREDITS BY TYPE AND RANKING

	Total outstanding	Valuation adjustments	Net Exposure
Mortgages			
1 Non-performing loans	3,923	1,442	2,481
2 Watch-list credits	-	-	-
3 Other assets	2,149,916		2,149,916
Securities			
1 Non-performing loans			
2 Watch-list credits			
3 Other assets	54,539		54,539
Other			
1 Non-performing loans	6,238	2,293	3,945
2 Watch-list credits			
3 Other assets	1,383,510		1,383,510

#### 11.8 H GEOGRAPHICAL DISTRIBUTION OF DEBTORS

	Italy	EU countries	Other countries
Total	1,748,432	20,835	15,473

## 11.8 I COLLATERAL BACKING SECURITIZED CREDITS

	Total
a) Mortgages	1,799,434
b) Liens on:	1,738,947
1. cash deposits 2. securities	1,737.690
3. other negotiable instruments	1,257
c) Guarantees of:	
1. governments	-
2. other public-sector entities	-
3. bank	-
4. other	<u>-</u>



#### 11.8 L DISTRIBUTION OF CREDITS ASSIGNED, BY SECTOR OF ECONOMIC ACTIVITY

Sector	Total
Other sectors	2,704,938
Agricultural products	19,485
Energy products	271
Minerals, iron ores and others	453
Minerals and mineral-based products	1,196
Chemical products	758
Metal products	2,932
Farm and industrial equipment	3,674
Office and data processing machines	897
Electric equipment and supplies	1,354
Transport means	890
Food and beverages	4,916
Textile products, leather and footwear	9,537
Paper, paper products	1,559
Rubber products	819
Other industrial products	5,973
Construction and public works	14,942
Trade, repairs and product recycling	68,261
Hotels and utilities	5,825
Internal transport services	7,786
Maritime and air transport	205
Communication services	802
Other sale services	216,984
Total	3,074,457

#### 11.8 M TRANSFER PRICE OF SECURITIZED LOANS

	Total
a) Transfer price: principal	3,523,165
b) Transfer price: interest	-
Total	3,523,165

# 11.8 N SERVICING COLLECTIONS BY INDIVIDUAL SECURITIZATION TRANSACTION

	Total
Siena Mortgages 00-1 S.p.A.	110,849
Tiziano Finance S.p.A.	36,628
Siena Mortgages 01-2 S.p.A.	154,221
Ulisse S.p.A.	23,827
Ulisse 2 S.p.A.	75,574
Ulisse 3 S.p.A.	65,000
Siena Mortgages 02-3 S.r.l.	103,798
MPS Assets Securitisation S.p.A.	97,794
Seashell Securitis Plc	22,246
Seashell II S.r.l.	63,363
Segesta Finance S.r.l.	55,216
Segesta II Finance SA	8,396
Total	816,912

The above amounts were collected by the parent company and by Banca Toscana as the servicer for the related transactions.

#### 11.8 O CREDIT ENHANCEMENT

Total	369,104
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# SECTION 12 - FUNDS MANAGEMENT AND OTHER TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES

#### 12.1 SECURITIES TRADING

	31.12.2002	31.12.2001
a) purchases	16,355,869	14,258,754
1. settled 2. unsettled	16,355,068 801	14,238,269 20,485
b) sales	15,857,721	13,860,200
1. settled 2. unsettled	15,857,072 649	13,815,879 44,321

#### 12.2 PORTFOLIO MANAGEMENT

	31.12.2002	31.12.2001
Portfolios under management	10,811,295	12,892,979
Total	10,811,295	12,892,979

#### 12.3 ADMINISTRATION AND SAFEKEEPING OF SECURITIES

The following table provides a summary of securities under administration and in safekeeping with the Group:

	31.12.2002	31.12.2001
a) Securities of third parties held in custody		
(excluding portfolio management)	176,038,499	70,291,467
<ol> <li>Securities issued by the Bank</li> </ol>	-	-
2. Other securities	176,038,499	70,291,467
b) Securities of third parties held by others	75,911,935	72,317,759
c) Own securities in third-party custody	15,087,712	12,166,582

The amounts reflected above are stated at nominal value of the securities on deposit. Own securities on deposit with third parties include securities sold subject to repurchase.

# 12.4 COLLECTIONS FOR THE ACCOUNT OF THIRD PARTIES: DEBIT AND CREDIT **ADJUSTMENTS**

	31.12.2002	31.12.2001
a) Debit adjustments		
1. Current accounts	139,798	138,116
2. Head office portfolio	5,944,797	12,020,718
3. Cash	18,794	26,020
4. Other accounts	924,516	894,492
b) Credit adjustments		
1. Current accounts	302,710	270,486
2. Notes and other documents	11,882,947	13,012,388
3. Other accounts	46,617	55,618



#### 12.5 OTHER TRANSACTIONS

	31.12.2002	31.12.2001
a) Third-party portfolio accepted for collection	5,672,285	2,451,338
b) Tax collection activity  Taxpayers amounts due for collection	2.745.982	3.066.700
- amounts coming due - amounts overdue and advanced to the Tax Authorities - amounts overdue and not yet advanced to the Tax Autho	- 2,745,982 rities -	- 3,066,700 -

Temporary relief and allowances for EUR 2,923,919,000 are available in respect of overdue amounts already advanced to the Tax Authorities.

A rough estimate of the underlying risk on the installments to be collected is provided by the reserve for risks and future charges, Section 7, "Reserves".

# SEPARATE STATEMENT OF SPECIAL-PURPOSE COMPANY

#### ULISSE - STATEMENT AS OF 31 DECEMBER 2002

# 12.6 SUMMARY OF SECURITIZED ASSETS

CEE Code	Description	31.12.2002
A	SECURITIZED ASSETS	
A1	Loans	208,121,267
A2	Securities	-
В.	Employment of funding coming	
	from management of credits	
B1.1	Other	41
B1.2	Amounts due from banks	2,703,939
B1.3	Receivables for taxes withheld on interest income	11,174
	Total assets	210,836,421
<b>C.</b>	Securities issued	224,603,284
D.	Financing received	-
E.	Other liabilities	
E1	Accrued interest payable on securities issued	349,317
E2	Due to suppliers of services	248,142
E3	Other liabilities	52.890
E4	Reserve for risks and charges	11,174
E5	Profit (loss) carried forward	(4,967,638)
LJ	Total liabilities	220,297,169
F.	Interest payable on securities issued	12,993,465
G.	Commissions accrued	
u.	to transaction	2,166,510
G1	Servicing commissions	1,974,142
G2	Commissions on other services	192,368
Н.	Other charges	170,971
H1	Capital losses on credits transferred	170,971
H2	Administrative expenses	161,724
H3	Services of rating agencies	101,724
H4	Charges on accessory financial transactions	
H5	Provisions for risks	6,447
H6	Foreign-exchange losses	2,800
I.	Interest generated from securitized assets	921,083
L.	Other revenues	26,015
L1	Interest earned from banks	23,879
L2	Foreign-exchange gains	2,136
M.	Other income	4,923,099
M1	Capital gains on credits	4,923,099
M2	Income on accessory financing transactions	-,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	Result of securitization transaction	(9,460,749)



# ULISSE 2 - STATEMENT AS OF 31 DECEMBER 2002

#### 12.6 SUMMARY OF SECURITIZED ASSETS

CEE Code	Description	31.12.2002
A	Securitized assets	
A1	Loans	491,400,537
A1.1	Non-performing loans	491,400,537
A2	Securities	-
A3	Other	-
В.	Employment of funding coming	
	from management of credits	
B1.1	Debt securities	-
B1.2	Equity securities	-
B1.3	Other:	126,607,811
B3.1	Capitalized costs	220,211
B3.2	Liquid assets	123,559,678
B3.3	Taxes withheld	690,802
B3.4	Accrued income on swaps	2,122,120
B3.5	Prepayments	15,000
	Total assets	618,008,348
C.	Securities issued	
C1	Category A securities	210,000,000
C2	Category B securities	30,000,000
<u>C3</u>	Category C securities	328,970,000
D.	Financing received	-
E.	Other liabilities	
E1	Due to management company	64,798
E2	Due to Banca MPS - residual transfer price	240,000
E3	Due to Banca MPS - servicing commissions	1,177,468
E4	Due to Banca MPS - interest on transfer price	5,816,391
E5	Due to Banca MPS - collections (not pertaining to the SPV)	26 551
E6	Due to suppliers	26,551
E7	Other liabilities	-
E8	Reserve for risks and charges	690,802
E9	Accrued interest payable on Class A securities	1,506,891
E10 E11	Accrued interest payable on Class B securities	2,466,693
E12	Accrued liabilities on curas	33,736,754
EIZ	Accrued liabilities on swaps  Total liabilities	3,312,000
F.	Interest payable on securities issued	618,008,348 28,351,405
G.	Commissions accrued	20,331,403
u.	to transaction	4,194,940
G1	Servicing commissions	4,194,940
G2	Commissions on other services	7,137,370
H.	Other charges	80,274,210
H1	Amortization of capitalized costs	73,404
H2	Chargeback of costs of company management	87,177
H3	Interest expense on credit payment extensions	-
H4	Estimates of losses on credits	64,283,738
H5	Losses on credits	704,500
H6	Interest rate swaps	14,424,800
H7	Other expenses	700,591
I.	Interest generated from securitized assets	74,021,917
L.	Other revenues	34,490,646
L1	Recoveries of value	25,309,831
L2	Interest rate swaps	9,180,168
L3	Other	647
	Result of securitization transaction	(4,307,992)
		(1,001,002)

# PART C INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

# SECTION 1 – INTEREST INCOME AND EXPENSE

#### 1.1 COMPOSITION OF ACCOUNT 10 - INTEREST AND SIMILAR INCOME

Interest and similar income was realized as follows:

	31.12.2002	31.12.2001
a) Interest earned on amounts due from banks	619,224	682,519
including:		
Amounts due from central banks	34,159	48,356
b) Interest earned on customer loans and advances	3,824,990	4,107,395
including:		
loans using third-party funds under administration	1,724	4,357
c) Interest earned on debt securities	619,933	670,958
d) Other interest income	3,281	16,049
e) Positive balance of differentials on hedging transactions		-
Total	5,067,428	5,476,921

# 1.2 COMPOSITION OF ACCOUNT 20 - INTEREST EXPENSE AND OTHER EXPENSE ON BORROWED FUNDS

Interest expense and other expense on borrowed funds were realized as follows:

	31.12.2002	31.12.2001
a) Interest expense on amounts due to banks	586,061	745,364
b) Interest expense on amounts due to customers	904,156	1,237,767
c) Interest expense on other borrowed funds backed by negotiable instru	ments 906,014	1,037,458
including:		
on certificates of deposit	132,992	261,402
d) Interest expense on third-party funds under administration	9,853	11,422
e) Interest expense on subordinated debt	157,372	137,306
f) Negative balance of differentials on hedging transactions	163,926	112,988
Total	2,727,382	3,282,305

#### 1.3 COMPOSITION OF ACCOUNT 10 - INTEREST AND SIMILAR INCOME

3	31.12.2002	31.12.2001
Interest and similar income on foreign-currency-denominated assets	201,140	604,382

# 1.4 COMPOSITION OF ACCOUNT 20 - INTEREST EXPENSE AND OTHER EXPENSE ON BORROWED FUNDS

31.12.200	31.12.2001
Interest and other expense on liabilities denominated in foreign currency208,9	34 842,937



# **SECTION 2 - COMMISSIONS**

#### 2.1 COMPOSITION OF ACCOUNT 40 - COMMISSIONS EARNED

Commissions earned consist of the following amounts:

		31.12.2002		31.12.2001
a) Guarantees released		38,934		39,171
b) Credit derivatives		911		1,566
c) Trading, management and advisory services		1,003,397		1,059,684
1.Securities trading	103,601		145,352	
2.Foreign-exchange trading	46,813		52,444	
3.Asset management	364,834		90,643	
3.1 individual portfolios under management	64,432		55,247	
3.2 investments in mutual funds	300,402		35,396	
4. Securities safekeeping and administration	104,638		470,353	
5. Custodian bank	31,911		29,357	
6. Securities placement	94,705		59,302	
7. Order taking	56,995		69,634	
8. Advisory services	6,206		1,281	
9. Distribution of services to third parties:	193,694		141,318	
9.1 Asset management:				
a) individual portfolios under management	-		5	
b) investments in mutual funds	-		-	
9.2 Insurance products	100,032		69,874	
9. 3 Other products	93,662		71,439	
d) Collection and payments services		107,448		94,374
e) Servicing for securitization transactions		13,774		3,743
f) Tax collection services (°)		239,608		253,014
g) Other services		211,337		255,155
- Commissions on loans to customers	74,953		51,678	
- Recoveries, expenses and other profits on customer loans	75,439		154,083	
- Commissions claimed from banks	11,004		14,501	
- Safe-deposit boxes	2,428		2,410	
- Commissions for services to subsidiaries and associated cos.	2,944		19,366	
- Commissions on services to third parties	15,950		13,117	
Other	28,619			
Total		1,615,409		1,706,707

<sup>(\*)</sup> Pursuant to Law Decree n. 209 of 24 September 2002 converted into Law n. 265 of 22 November 2002, the parent company booked the tax collector fee corresponding to the difference between the objective value assigned to the direct collections for 2002 and the amount actually collected in the year in the amount of EUR 20,570,000.

#### 2.2 DETAIL OF ACCOUNT 40 – COMMISSIONS EARNED

Following is a breakdown of commissions earned based on distribution channel:

	31.12.	2002	31.12.2001
a) Branches:	646	646,702	
Asset management	364,736	85,719	
Securities placement	94,362	59,053	
Third party's services and products	187,604	133,364	
b) Other distribution channels:	$\epsilon$	5,529	13,127
Asset management	97	4,924	
Securities placement	343	249	
Third party's services and products	6,089	7,954	

#### 2.3 COMPOSITION OF ACCOUNT 50 - COMMISSION EXPENSE

# Commission expense consists of the following amounts:

		31.12.2002		31.12.2001
a) Guarantees released		1,219		1,295
b) Credit derivatives		1,202		1,442
c) Trading and intermediation		106,543		104,639
Securities trading	29,507		33,504	
Foreign-exchange trading	58		100	
Asset management	797		4,145	
Own portfolio	788		4,145	
Third-party portfolios	9		-	
Securities safekeeping and administration	20,745		16,904	
Securities placement	28,939		12,688	
Off-site offer of securities, products and services	26,497		37,298	
d) Collection and payment services		17,268		8,995
e) Other services		123,885		102,908
Commissions on endorsement credits	-		1,702	
Commissions paid to brokers	5,019		11,185	
Commissions on services to third parties	34,421		22,035	
Commissions paid to banks	26,245		6,047	
Tax collection commissions	-		-	
Commissions on securities transactions	-		972	
Other	58,200		60,967	
Total		250,117		219,279



# SECTION 3 - PROFITS AND LOSSES ON FINANCIAL TRANSACTIONS

# 3.1 COMPOSITION OF ACCOUNT 60 – PROFITS/LOSSES ON FINANCIAL TRANSACTIONS

			31.12.2002
Account	Securities	Foreign-Currency	Other
A.1 Revaluations	686,940	-	4,375,578
A.2 Writedowns	(799,672)	-	(4,354,918)
B. Other profits/losses	(139,286)	10,692	145,865
Total	(252,018)	10,692	166,525
1. Government securities	24,441		
2. Other debt securities	96,841		
3. Equity securities	(200,066)		
4. Securities-related derivatives	(173,234)		

		.2	

Account	Securities	Foreign-Currency	Other
A.1 Revaluations	976,736	-	3,982,590
A.2 Writedowns	(816,956)	-	(3,747,714)
B. Other profits/losses	8,650	36,505	(48,338)
Total	168,430	36,505	186,538
Government securities	45,015		
2. Other debt securities	108,882		
3. Equity securities	19,162		
4. Securities-related derivatives	(4,629)		

# SECTION 4 – ADMINISTRATIVE EXPENSES

#### 4.1 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

	31.12.2002	31.12.2001
a) Executives	713	469
b) Managers	5,016	4,091
c) Remaining personnel	22,358	22,953
Total	28,087	27,513

#### COMPOSITION OF ACCOUNT 80 - ADMINISTRATIVE EXPENSES

	31.12.2002	31.12.2001
a) Personnel expense	1,800,033	1,703,619
wages and salaries	1,263,290	1,215,132
social-welfare charges	350,342	334,388
staff severance indemnity reserve	94,096	80,053
pension fund and similar obligations	33,651	27,031
other	58,654	47,015
b) Other administrative expenses	1,127,496	1,112,159
stamp duties	112,802	149,478
rental costs for bank premises	93,717	85,119
cost of external consultants	103,112	97,403
maintenance of personal and real property	73,733	76,993
postage	50,879	69,189
sundry rentals	41,028	45,605
information and surveys	38,977	46,219
advertising	51,207	52,080
cable, telephone and telex	33,632	31,545
security	28,260	27,883
indirect taxes	28,609	23,729
cleaning	22,846	22,031
transport	44,196	37,494
electricity, heating and water	27,214	25,294
employee vehicle and travel expenses	23,231	23,776
cable rental for data transfer	23,790	9,750
data processing by third parties	62,749	58,408
insurance	29,383	23,406
local property tax	11,725	11,030
stationery and printing	20,326	19,431
entertainment expense	11,148	11,376
membership dues	10,880	9,758
condominium fees	1,810	6,918
information service	17,290	14,726
fees to Directors and Statutory Auditors	11,219	7,483
equipment rental	14,822	17,338
subscriptions and purchase of publications	2,675	3,376
fixed fees for tax collection services	2,861	1,049
new software and rental of software	66,024	42,613
other	67,351	61,659
Total	2,927,529	2,815,778



# SECTION 5 - VALUATION ADJUSTMENTS, RECOVERIES AND PROVISIONS

### 5.1 COMPOSITION OF ACCOUNT 120 VALUATION ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS

	31.12.2002	31.12.2001
a) Valuation adjustments to loans including:	610,267	514,860
Lump-sum writedowns for country risk	8,592	8,570
Other lump-sum adjustments	28,688	29,285
b) Provisions for guarantees & commitments including:	4,596	6,227
Lump-sum writedowns for country risk Other lump-sum adjustments	23	1,725 23
Total	614,863	521,087

# 5.2 COMPOSITION OF ACCOUNT 90 VALUATION ADJUSTMENTS TO FIXED AND INTANGIBLE ASSETS

	31.12.2002	31.12.2001
a) Intangible assets	323,332	207,891
Amortization of positive consolidation differences	74,204	67,801
Amortization of positive net equity differences	14,300	14,747
Amortization of other intangible assets	234,828	125,343
b) Fixed assets	171,365	157,191
Depreciation of buildings	64,582	62,595
Depreciation of furniture and equipment	106,783	94,596
Total	494,697	365,082

Positive consolidation differences are amortized over a period of up to 10 years, which is considered as the investment pay-back period. In the case of the Banca Agricola Mantovana Group, such period has been extended to 20 years.

Intangible assets are amortized on a straight-line basis in accordance with the principle of prudence.

Depreciation on fixed assets is calculated by applying the maximum ordinary rates allowed by law. Accelerated depreciation is taken as permitted by law on assets subject to rapid obsolescence. Depreciation rates are considered as reasonable and represent the residual useful life of the assets.

# 5.2 COMPOSITION OF ACCOUNT 100 PROVISIONS FOR RISKS AND CHARGES

	31.12.2002	31.12.2001
Annual provision	42,377	75,152

The provisions are credited to the reserves for risks and other charges, shown in the table reported in Section 7.

# 5.4 COMPOSITION OF ACCOUNT 130 RECOVERIES ON LOANS AND ON PROVISIONS FOR GUARANTEES AND COMMITMENTS

	31.12.2002	31.12.2001
Loans	172,282	199,146
Provisions for guarantees and commitments	4,596	-
Total	176,878	199,146

# 5.5 COMPOSITION OF ACCOUNT 140 PROVISION TO LOAN LOSS RESERVES

	31.12.2002	31.12.2001
Annual provision	90,008	57,065

# 5.6 COMPOSITION OF ACCOUNT 150 VALUE ADJUSTMENTS TO NON-CURRENT FINANCIAL ASSETS

	31.12.2002	31.12.2001
Equity investments	270,360	12,220
Securities	27,780	10,882
Total	298,140	23,102

# 5.7 COMPOSITION OF ACCOUNT 160 RECOVERIES ON NON-CURRENT FINANCIAL ASSETS

	31.12.2002	31.12.2001
Equity investments	43	1,548
Securities	7,277	-
Total	7.320	1.548



#### SECTION 6 - OTHER PROFIT AND LOSS ACCOUNTS

#### 6.1 COMPOSITION OF ACCOUNT 70 - OTHER OPERATING INCOME

	31.12.2002	31.12.2001
Rental and similar income	25,936	22,750
Expenses recovery & other income: deposits and current accounts	154,413	144,483
Recovery of stamp duties	113,175	125,575
Premiums received	4,258	3,869
Recoveries of expenses on mortgage loans	16,370	17,327
Other (*)	265,577	152,116
Total	579,729	466,120

<sup>(\*)</sup> See also Section 11.8 with reference to securitization transactions.

#### 6.2 COMPOSITION OF ACCOUNT 110 - OTHER OPERATING EXPENSES

	31.12.2002	31.12.2001
Expenses on redemption of assets under financial lease	9,477	1,823
Options	2,168	1,946
Other operating expenses	31,446	23,024
Total	43,091	26,793

#### 6.3 COMPOSITION OF ACCOUNT 190 - EXTRAORDINARY INCOME

	31.12.2002	31.12.2001
Profit on disposal of fixed assets	8,013	1,288
Gains on disposal of equity investments	75,643	3,900
Profit on disposal of investment securities	97	41,861
Retrospective quotas for change in valuation criterion	-	-
Deferred tax assets regarding previous years	-	-
Other (*)	374,172	131,615
Total	457,925	178,664

Gains on non-current financial assets were realized from the parent company's sale of interests in C.R.S.Miniato (EUR 18,641,000), Cedel (EUR 19,780,000), Monte Titoli (EUR 7,822,000) and a 4.9 percent interest in Banca Toscana (EUR 15,144,000) and from the sale by Banca Agricola Mantovana of an interest in Istituto Centrale delle Banche Popolari Italiano.

(\*) The total amount, inclusive of taxes, incorporates the valuation of the commitment arising from the agreement to sell the investment in Cassa di Risparmio di Prato. The extraordinary gain of EUR 253,528,000 (net of the deconsolidation charge of EUR 25,301,000) is offset by an entry to other assets.

#### 6.4 COMPOSITION OF ACCOUNT 200 - EXTRAORDINARY CHARGES

	31.12.2002	31.12.2001
Non-banking operating expenses	-	5,278
Losses on robberies	2,524	1,793
Losses on disposal of fixed assets	336	496
Loss on disposal of non-current financial assets	12,943	833
Loss on sale of investment securities	193	140
Other	125,372	141,003
Total	141,368	149,543

#### 6.5 COMPOSITION OF ACCOUNT 240 - INCOME TAXES

Total	(216,579)	(604,915)
Change in deferred tax liabilities	63,809	28,032
Change in deferred tax assets	114,935	(48,334)
Current taxes (1)	(395,323)	(584,613)
	31.12.2002	31.12.2001

(1) Current taxes include EUR 5,656,000 accrued as a substitution tax of 19 percent on a portion of the Banca 121 merger deficit booked to goodwill, in accordance with Article 6 of Legislative Decree n. 355/97.

The reduction of the fiscal burden is mainly due to extraordinary transactions involving equity investments as described in Section 3.6 as well as the transactions described in Section 6.3 relative to the extraordinary income for the effect of the benefit of the substitution tax of 19 percent provided by Legislative Decree n. 358/97.



# SECTION 7 - OTHER INFORMATION ON THE PROFIT AND LOSS STATEMENT

# 7.1 GEOGRAPHICAL DISTRIBUTION OF INCOME

				31.12.2002
	Italy	EU Countries	Other Countries	Total
Interest and similar income	4,731,423	276,226	59,779	5,067,428
Dividends and other income	547,555	257	-	547,812
Commissions earned	1,580,020	27,384	8,005	1,615,409
Profits from financial transactions	(59,235)	(16,682)	1,116	(74,801)
Other operating income	577,883	1,648	198	579,729
Total	7,377,646	288,833	69,098	7,735,577
				0.4.10.000.4
				31.12.2001
	Italy	EU Countries	Other Countries	Total
Interest and similar income	4,988,044	391,406	97,471	5,476,921
Dividends and other income	382,592	16	-	382,608
Commissions earned	1,667,896	31,039	7,772	1,706,707
Profits from financial transactions	389,165	1,054	1,254	391,473
Other operating income	463,874	2,020	226	466,120
Total	7,891,571	425,535	106,723	8,423,829

# PART D **OTHER INFORMATION**

# SECTION 1 – BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

#### 1.1 COMPENSATION

	31.12.2002	31.12.2001
a) Directors	4,370	4,671
b) Statutory Auditors	1,356	1,081

# 1.2 LOANS TO AND GUARANTEES RELEASED ON THE ACCOUNT OF DIRECTORS AND STATUTORY AUDITORS

	31.12.2002	31.12.2001
a) Directors	18,434	13,018
b) Statutory Auditors	126	88



# MONTE DEI PASCHI DI SIENA BANKING GROUP

PIAZZA SALIMBENI, 3 – SIENA, ITALY

Parent Company:

BANCA MONTE DEI PASCHI DI SIENA Spa

Registered Office:

Piazza Salimbeni, 3 - Siena

Registered with the Court of Siena under No. 9782 on 23 August 1995 Registered with the Register of Banks under No. 325 Cod. No. 1030.6

Member of the Italian Interbank Deposit Protection Fund



# ATTACHMENTS TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 253



# ■ STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share Capital	Paid-in Capital	Provision for General Banking Risks	Negative Cons. Diff.	Negative Net Equity Diff.
Consolidated net equity as of 31 December 2001					
(as approved by the Board of Directors)	1,356,154	522,925	456,072	20,834	1,237
Net profit allocation					
Dividends distributed by the Parent Company					
Share capital increase - B121 merger	4,716				
Share capital increase with use of employee profit sharing reserve	86				
Usage of reserve for general banking risks			(85,000)		
Usage of extraordinary reserve for stock granting					
Securitization effects					
Usage of revaluation reserve set up under Law 342/2000 for bonus capital increase and coverage of loss on S.Paolo-IMI	314,067				
Change in reserve for own shares					
Change in area of consolidation			(10,260)	509	333
Other changes					
Profit for the year					
Consolidated net equity as of 31 December 2002	1,675,023	522,925	360,812	21,343	1,570

TOTAL	Profit for the Year	Profit (loss) to be carried forward	Reval. Reserves	Other Reserves	Reserves for Own Shares	Statutory Reserves	Legal Reserve
5,786,394	617,410	89	741,003	1,141,722	18,644	666,488	243,816
-	(348,028)	(19)		12,307		308,325	27,415
(269,382)	(269,382)			-			
17,473				12,757			
				(0.0)			
-				(86)			
(85,000)							
(34,337)				(34,337)			
8,157				8,157			
(425,541)			(715,496)	(24,112)			
-				8,226	(8,226)		
(20,520)			(11,102)				
(8,802)				(8,802)			
581,813	581,813			-			
5 550 255	501 012	70	14.405	1 115 022	10.419	074 912	271,231
5,550,255	581,813	70	14,405	1,115,832	10,418	974,813	



## ■ RECONCILIATION OF PARENT-COMPANY EARNINGS AND NET EQUITY AND CONSOLIDATED EARNINGS AND NET EQUITY

	31.1	2.2002	31.12.2001		
	Shareholders' Equity	Profits and Losses	Shareholders' Equity	Profits and Losses	
Balances as reported in parent-company financial statements	5,622,414	599,497	5,808,572	605,899	
Effects of line-by-line consolidation of subsidiaries	(22,439)	180,965	33,462	239,996	
Excess of net equity over carrying value for subsidiaries consolidated with net equity method	157,130	30,900	133,404	42,334	
Reversal for dividends distributed by subsidiaries	-	(22,699)	-	(193,347)	
Reversal for dividends accrued by subsidiaries	(206,850)	(206,850)	(189,042)	(189,042)	
Adjustments pursuant to Law 461/98	-	-	-	111,570	
Total	5,550,255	581,813	5,786,396	617,410	

#### ■ STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

	31.12.2002	31.12.2001
SOURCES OF FUNDS		
Net profit for the period	581,813	617,410
Provision for general banking risks	-	5,531
Provision for staff severance indemnity reserve	84,402	79,135
Provision for pension fund	51,888	43,016
Provisions for loan losses: increase	90,169	59,137
Total funds generated from operations	808,272	804,229
Increases:		
Customer deposits	2,778,328	1.483.232
Due to banks	5,410,060	(2,636,260)
Other borrowed funds backed by negotiable instruments	674,827	3,445,353
Other reserves	34,611	46,494
Other liabilities	5,847,117	4,529,084
Subordinated debt	231,378	1,265,232
Decreases:	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,
Equity investments	730,249	(846,519)
Accrued income and prepayments	76,933	(149,602)
TOTAL SOURCES OF FUNDS	16,591,775	7,941,243
LIGHT OF FUNDS		
USES OF FUNDS	260, 202	242.740
Payment of dividends	269,382	243,748
Payment of staff severance indemnities	74,226	79,870
Payment of pension benefits	44,274	38,621
Use of reserve for loan losses	35,595	31,996
Change in the reserve for general banking risks	84,476	166 500
Other changes in balance sheet accounts	445,186	166,580
Increases:	152 524	222.547
Cash and cash on demand	152,524	233,547
Positive consolidation and net equity differences	27,462	51,064
Fixed assets	37,540	241,070
Own shares or quotas	(8,227)	(606)
Other assets	5,990,180	4,993,836
Decreases:	7 122	22.502
Third-party funds under administration Accrued liabilities and deferred income	7,123	23,502
Reserve for taxes	201,338	(267,390)
	96,491	80,284
Minority interests	134,354	(185,617)
TOTAL USES OF FUNDS	7,591,924	5,730,554
Difference	8,999,851	2,210,689
CHANGES IN INTEREST-BEARING USES OF FUNDS		
Increases :		
Customer loans and advances	5,433,873	3,992,402
Amounts due from banks	2,146,992	(1,781,401)
Securities and certificates of deposit	1,418,986	(312)
Total	8,999,851	2,210,689





#### ■ BALANCE SHEET (in EUR'000s)

	Assets	31.12	2.02	31.1	2.01	Absolute	Absolute and Percentage Changes		
10	Cash and cash on deposit with central banks and post offices		833,674		707,516		126,158	17.83	
20	Italian government securities and similar i eligible for refinancing with central banks	nstruments	541,635		1,267,890		(726,255)	(57.28)	
30	Amounts due from banks a) sight b) other	2,464,429 13,562,653	16,027,082	2,586,020 11,502,674	14,088,694	(121,591) 2,059,979	1,938,388	13.76 (4.70) 17.91	
40	Customer loans and advances including: loans with third-party funds under administrati	ion 16,605	68,471,970	18,799	64,944,346	(2,194)	3,527,624	5.43	
50	Bonds and other fixed-income securities a) of public issuers b) of banks - including: own securities c) of financial institutions - including: own securities d) of other issuers	6,345,840 3,643,481 874,829 2,368,909 - 3,096,342	15,454,572	6,088,587 2,619,538 586,726 2,139,582 - 2,166,371	13,014,078	257,253 1,023,943 288,103 229,327 929,971	2,440,494	18.75 4.23 39.09 49.10 10.72 42.93	
60	Shares, quotas and other equity securities		914,380		1,521,243		(606,863)	(39.89)	
70	Equity investments a) valued with net equity method b) other	62,555 1,541,376	1,603,931	36,909 2,340,704	2,377,613	25,646 (799,328)	(773,682)	(32.54) 69.48 (34.15)	
80	Equity investments in Group companies a) valued with net equity method b) other	439,262 145,511	584,773	327,410 13,822	341,232	111,852 131,689	243,541	71.37 34.16	
90	Positive consolidation differences		756,509		731,032		25,477	3.49	
100	Positive net equity differences		114,268		126,045		(11,777)		
110	Intangible assets including:		434,296		434,057		239	0.06	
	- start-up costs - goodwill	12,247 5,044		35,318 1,351		(23,071) 3,693		(65.32)	
120	Fixed assets including: assets under financial lease	393,769	2,135,218	340,371	2,181,761	53,398	(46,543)	(2.13) 15.69	
130	Unpaid subscribed capital including: called-up capital								
140	Own shares (nominal value 5,217,711)		10,417		18,644		(8,227)	(44.13)	
150	Other assets		19,432,319		13,538,735		5,893,584	43.53	
160	Accrued income and prepayments a) accrued income b) prepayments including: issuing discounts	1,345,375 222,566 76,722	1,567,941	1,500,538 160,085 24,376	1,660,623	(155,163) 62,481 52,346	(92,682)	(5.58) (10.34) 39.03 214.74	
	Total assets		128,882,985		116,953,509		11,929,476	10.20	

#### ■ BALANCE SHEET (in EUR'000s)

	Liabilities and shareholders' equity 31.1	2.02	31.1	2.01	Absolute and Percentage Changes		
10	Due to banks a) sight 799,834	20,516,315	986,202	15,142,201	(186,368)	5,374,114	35.49 (18.90)
	b) time or requiring advance notice of withdrawal 19,716,481		14,155,999		5,560,482		39.28
20	Customer deposits a) sight b) time or requiring advance 38,661,446	49,779,799	37,643,807	48,435,190	1,017,639	1,344,609	2.78 2.70
	notice of withdrawal 11,118,353		10,791,383		326,970		3.03
30	Other borrowed funds backed by negotiable instruments a) bonds 20,588,393 b) certificates of deposit 6,315,758 c) other instruments 570,541		18,135,992 8,522,391 806,276	27,464,659	2,452,401 (2,206,633) (235,735)	10,033	0.04 13.52 (25.89) (29.24)
40	Third-party funds under administration	36,454		43,580		(7,126)	(16.35)
50	Other liabilities	17,218,339		11,514,964		5,703,375	49.53
60	Accrued liabilities and deferred income a) accrued liabilities 1,344,617 b) deferred income 330,598		1,604,351 284,596	1,888,947	(259,734) 46,002	(213,732)	(11.31) (16.19) 16.16
70	Staff severance indemnity reserve	434,202		445,609		(11,407)	(2.56)
80	Reserves for risks and other charges: a) pension fund and similar obligations b) reserve for taxes c) consolidation reserve for risks and future charges		436,622 855,446	1,881,591	(39,983) (109,267)	(122,112)	(6.49) (9.16) (12.77)
	d) other reserves 616,661		589,523		27,138		4.60
90	Reserve for loan losses	354,515		317,009		37,506	11.83
100	Reserve for general banking risks	360,812		456,072		(95,260)	(20.89)
110	Subordinated debt	3,276,115		3,059,984		216,131	7.06
120	Negative consolidation differences	21,343		20,834		509	2.44
130	Negative net equity differences	1,570		1,237		333	26.92
140	Minority interests	807,605		973,381		(165,776)	(17.03)
150	Share capital	1,675,023		1,356,154		318,869	
160	Paid-in capital	522,925		522,925		-	
170	Reserves: a) legal reserve 271,231 b) reserve for own shares or quotas 10,417 c) statutory reserves 974,812 d) other reserves 1,115,833		243,816 18,644 666,488 1,141,722	2,070,670	27,415 (8,227) 308,324 (25,889)	301,623	14.57 11.24 (44.13) 46.26 (2.27)
180	Revaluation reserves	14,406		741,003		(726,597)	(98.06)
190	Profit (loss) carried forward	70		89		(19)	
200	Profit (loss) for the year	581,813		617,410		(35,597)	(5.77)
Tota	al liabilities and shareholders' equity	128,882,985		116,953,509		11,929,476	10.20

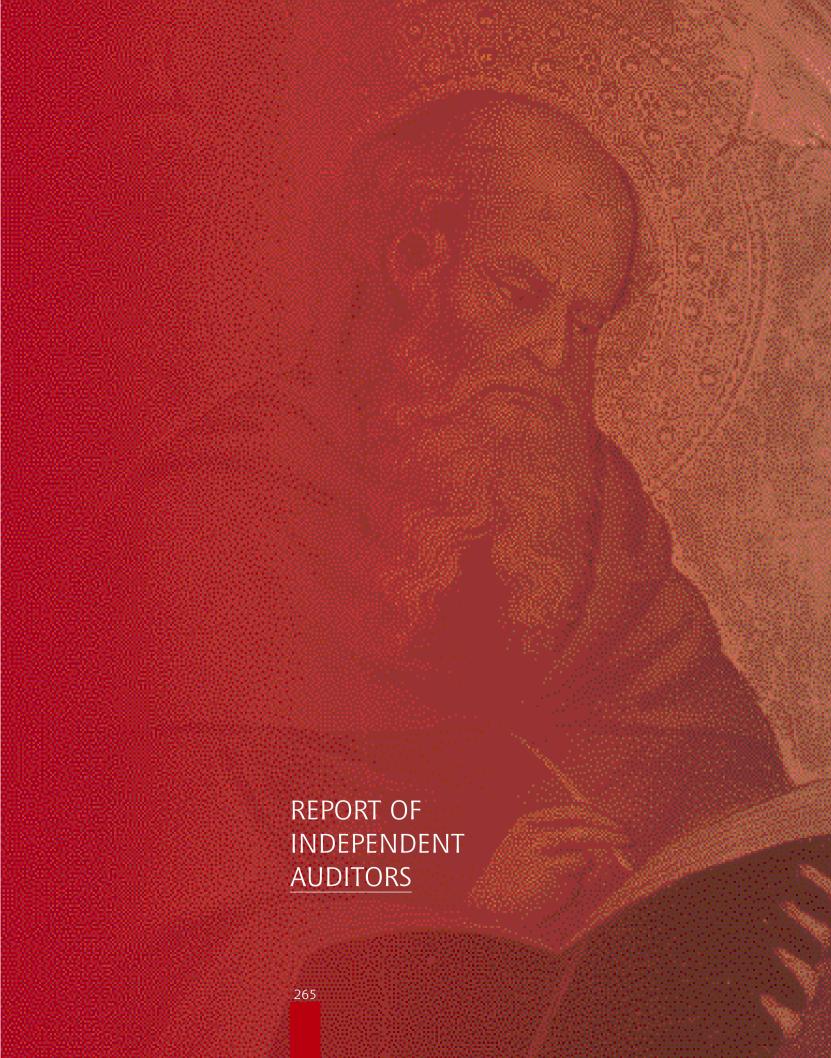


### ■ GUARANTEES AND COMMITMENTS (in EUR'000s)

	Account	31.12.02		31.1	2.01	Absolute	and Percentage	Changes
10	Guarantees released including:	6,3	90,897		9,431,591		(3,040,694)	(32.24)
	S .	,835 ,062		139,368 9,292,223		20,467 (3,061,161)		14.69 (32.94)
20	Commitments including: commitments to sell with the obligation to repur		60,343		21,940,760		1,819,583	8.29
30	Commitments for credit derivatives	2,1	19,429		458,856		1,660,573	361.89

### ■ PROFIT AND LOSS STATEMENT (in EUR'000s)

	Account 31.	12.02	31	.12.01	1 Absolute and Percen		Changes
10	Interest and similar income including:	5,067,428		5,614,909		(547,481)	(9.75)
	- on customer loans and advances 3,824,99 - on debt securities 619,93.		4,228,482 688,310		(403,492) (68,377)		(9.54) (9.93)
20	Interest expense and other expense on borrowed funds Including:	2,727,382		3,330,814		(603,432)	(18.12)
	- on customer deposits 914,00° - on other borrowed funds backed	9	1,264,529		(350,520)		(27.72)
30	by negotiable instruments 910,08. Dividends and other income	547,812	1,060,696	372,151	(150,613)	175,661	(14.20) 47.20
	a) on shares, quotas and other equity securities 409,379 b) on equity investments 138,449 c) on equity investments in Group companies		137,526 234,625		271,844 (96,183)		197.7 (40.99)
40 50 60	Commissions earned Commission expense Profit (loss) on financial transactions	1,615,409 250,117 (74,801)		1,736,488 217,490 395,923		(121,079) 32,627 (470,724)	(6.97) 15.00 (118.89)
65 70 80	Income on investment of pension and similar funds Other operating income Administrative expenses	13,475 579,729 2,927,529		7,231 473,017 2,909,609		106,712 17,920	22.56 0.62
	a) personnel expense 1,800,03. Including:		1,766,168		33,865		1.92
0.5	<ul> <li>wages and salaries</li> <li>social-welfare charges</li> <li>staff severance indemnity reserve</li> <li>pension fund and similar obligations</li> <li>b) other administrative expenses</li> <li>1,263,290</li> <li>350,34</li> <li>94,090</li> <li>1,33,65</li> <li>1,127,490</li> </ul>	2 5 1	1,260,217 346,050 81,646 29,753 1,143,441		3,073 4,292 12,450 3,898 (15,945)		0.24 1.24 15.25 13.10 (1.39)
85 90	Provisions for income on investment of pension and similar funds Valuation adjustments to fixed and intangible	(5,572)		6,181		(11,753)	(190.15)
100 110	assets Provisions for risks and charges Other operating expenses	494,697 42,377 43,091		376,548 75,616 27,512		118,149 (33,239) 15,579	31.38 (43.96) 56.63
	Valuation adjustments to loans & provisions for guarantees and commitments Recoveries on loans & provisions for	614,863		533,614		81,249	15.23
	guarantees and commitments Provisions to Ioan loss reserve	176,878 90,008		206,732 57,065		(29,854) 32,943	(14.44) 57.73
160	Valuation adjustments to non-current financial assets Recoveries on non-current financial assets Profit (loss) on investments valued	298,140 7,320		23,207 1,571		274,933 5,749	365.95
170	with net equity method	36,261		55,019		(18,758)	(34.09)
180	Profit (loss) from ordinary operations	486,879		1,305,385		(818,506)	(62.70)
	Extraordinary income Extraordinary charges	457,925 141,368		175,014 150,525		282,911 (9,157)	161.65 (6.08)
	Extraordinary profit (loss) Use of the consolidation reserve for risks and future charges	316,557		24,489		292,068	1,192.65
230	Change in reserve for general banking risks	84,999		(5,531)		90,530	
240	Income taxes	(216,579)		(610,857)		394,278	(64.55)
250	Minority interests	90,043		96,076		(6,033)	(6.28)
260	Profit (loss) for the year	581,813		617,410		(35,597)	(5.77)





#### **KPMG Assurance**

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# Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of Banca Monte dei Paschi di Siena S.p.A.

- We have audited the consolidated financial statements of the Monte dei Paschi di Siena Group as at and for the year ended 31 December 2002. These financial statements are the responsibility of the parent bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries representing 21% of consolidated assets and 21% of consolidated interest income and other similar income, have been audited by other auditors who provided us with their reports thereon. Our opinion, expressed herein, with respect to the figures relating to such companies included in the consolidated financial statements is based, inter alia, on the audits performed by the other auditors.

Reference should be made to the report dated 11 April 2002 for our opinion on the prior year figures which are presented for comparative purposes as required by law.

In our opinion, the consolidated financial statements of the Monte dei Paschi di Siena group as at and for the year ended 31 December 2002 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the group.





- 4 We draw your attention to the following matters:
- 4.1 During 2002, the parent bank sold its investment in S. Paolo-IMI, previously revalued pursuant to Law no. 342/2000. The accounting treatment and the related effects on the 2002 consolidated financial statements are described in the notes thereto.
- 4.2 In December 2002, the parent bank signed an agreement to sell its investment in the subsidiary Cassa di Risparmio di Prato S.p.A.. The Bank of Italy authorised the sale, the shares were transferred and the related consideration collected in 2003, before the approval of the draft financial statements by the directors. The accounting treatment and the related effects on the 2002 consolidated financial statements are described in the notes thereto. Following this transaction, the subsidiary Cassa di Risparmio di Prato S.p.A. has been excluded from the consolidation area.
- 4.3 As described in the notes, with reference to the tax collection business, the group has taken premiums relating to the difference between the 2002 allocated amounts and those actually collected to the 2002 profit and loss account, rather than recording them when the relevant tax is collected as required by generally accepted accounting principles. Such treatment is provided for by the Legislative decree of 24 September 2002, converted into Law no. 265 of 22 November 2002. The accounting treatment and the related effects on the 2002 consolidated financial statements are described in the notes thereto.
- 4.4 As described in the notes to the consolidated financial statements, the parent bank has charged directly to reserves and partly deferred to future years the write-down of junior securities relating to a non-performing loan securitisation transaction carried out by the bank. This treatment is permitted by Law no. 130/1999 as an alternative to fully charging the profit and loss account of the year in which the write-down is recorded as required by correct accounting principles. The accounting treatment applied and the related effects on the 2002 consolidated financial statements are described in the notes thereto.
- 4.5 In the previous year, the group charged directly to reserves and partly deferred to future years the effects of the losses incurred following a non-performing loan securitisation transaction. This treatment is permitted by Law no. 130/1999 as an alternative to fully charging the profit and loss account of the year in which the losses are incurred as required by correct accounting principles. The accounting treatment applied and the related effects on the 2002 consolidated financial statements are described in the notes thereto.



4.6	During 2002, the group used the provision for general banking risks by crediting the
	profit and loss account. The related effects on the 2002 consolidated financial statements
	are described in the directors' report.

Plorence, 9 April 2003

KPMG S.p.A.

(signed on the original)

Roberto Todeschini Director of Audit

